Western Power Administration

Construction, Rehabilitation, Operation and Maintenance
Western Area Power Administration

Proposed Appropriation Language

For carrying out the functions authorized by title III, section 302(a)(1)(E) of the Act of August 4, 1977 (42 U.S.C. 7152), and other related activities including conservation and renewable resources programs as authorized, including official reception and representation expenses in an amount not to exceed $1,500, **[**$177,950,000**]** *$173,100,000*, to remain available until expended, of which **[**$167,236,000**]** *$170,756,000* shall be derived from the Department of the Interior Reclamation Fund**[**: *Provided*, That of the amount herein appropriated, $6,200,000 is for deposit into the Utah Reclamation Mitigation and Conservation Account pursuant to title IV of the Reclamation Projects Authorization and Adjustment Act of 1992: *Provided further*, That notwithstanding the provision of 31 U.S.C. 3002, up to $162,108,000 collected by the Western Area Power Administration pursuant to the Flood Control Act of 1944 and the Reclamation Project Act of 1939 to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures: *Provided further*, That the $750,000 that is made available under this heading for a transmission study on the placement of 500 megawatt wind energy in North Dakota and South Dakota may be nonreimbursable: *Provided further*, That, in accordance with section 203 of the Colorado River Basin Salinity Control Act (43 U.S. C. 1593), electrical power supply and delivery assistance may be provided to the local distribution utility as required to maintain proper voltage levels at the Big Sandy River Diffuse Source Control Unit**].**

[SEC. 125. Of the funds made available in the Energy and Water Development Appropriations Act, 2004, to the Western Area Power Administration, up to $166,100,000 collected by the Western Area Power Administration pursuant to the Flood Control Act of 1944 and the Reclamation Project Act of 1939 to recover purchase power and wheeling expenses shall be credited to the "Construction, Rehabilitation, Operation and Maintenance, Western Area Power Administration" account as offsetting collections.**]**

Explanation of Change

The language changes propose that the appropriation to Western Area Power Administration for deposit to the Utah Reclamation Mitigation and Conservation Account be transferred to the Department of the Interior, the use of offsetting collections for making purchase power and wheeling expenditures be partly replaced with customer advances, the language pertaining to the reimbursement of certain FY 2004 appropriation amounts and the language authorizing certain assistance to maintain proper voltage levels at the Big Sandy River Diffuse Source Control Unit be removed.

Falcon and Amistad Operating and Maintenance Fund

Proposed Appropriation Language

For operation, maintenance, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams, **[**$2,640,000**]** *$2,827,000*, to remain available until expended, and to be derived from the Falcon and Amistad Operating and Maintenance Fund of the Western Area Power Administration, as provided in section 423 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995.

Explanation of Change

The proposed funding level is the only change from the FY 2004 proposed appropriation language.

Western Area Power Administration

Overview

Appropriation Summary by Program

(dollars in thousands)

	FY 2003 Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Western Area Power Administration Accounts					
Construction, Rehabilitation, Operation and Maintenance (CROM) Account Operating Expenses[a]	359,767	364,050	+2,942	366,992	176,768
Planned Use of Prior Year Balances	-1,200	0	0	0	0
Offsetting Collections from Colorado River Dam Fund (P.L. 98-381)	-4,683	-3,992	0	-3,992	-3,668
Offsetting Collections, Purchase power and wheeling expenses	-186,124	-182,108	-3,992	-186,100	0
Total, CROM Account Budget Authority	167,760[b]	177,950	-1,050[c]	176,900	173,100
Falcon and Amistad Operating and Maintenance Account Budget Authority	2,716[d]	2,640	-15[e]	2,625	2,827
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses	409,794	193,561	0	193,561	206,617
Offsetting Collections Realized	-431,794	-215,561	0	-215,561	-229,617
Total, CRBPMF Budget Authority	-22,000	-22,000	0	-22,000	-23,000
Total, Western Area Power Administration	148,476	158,590	-1,065	157,525	152,927

Preface

As the Nation moves forward to strengthen its national and economic security, the Department of Energy (DOE) leads a critical effort promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy. Western Area Power Administration (Western), in conjunction with the U.S. Army Corps of Engineers (Corps), the U.S. Bureau of Reclamation (USBR), and the State Department's International Boundary and Water Commission (IBWC), supports this critical effort by managing the multipurpose operation of the Federal hydropower system to effectively deliver a supply

[a] FY 2003, FY 2004, and FY 2005 CROM funding amounts exclude $160.2 million, $84.9 million and $218.2 million, respectively, for planned alternative financing of the purchase power and wheeling program.
[b] FY 2003 amount reflects the general across-the-board rescission of $1,097,577 (P.L. 108-7).
[c] FY 2004 amount reflects the general 0.59% across-the-board rescission of $1,049,905.
[d] FY 2003 amount reflects the general across-the-board rescission of $17,771 (P.L. 108-7).
[e] FY 2004 amount reflects the general 0.59% across-the-board rescission of $15,576.

of reliable, affordable, and environmentally sound hydropower across a well operated and maintained, high-voltage, integrated transmission system, thereby limiting energy emergencies and reliance on energy imports.

Within the three appropriation accounts (e.g. Construction, Rehabilitation, Operation and Maintenance Account (CROM), the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund (CRBPMF)), there is one program: Western Area Power Administration (total of eight subprograms (five subprograms in the CROM account, one subprogram in the Falcon and Amistad O&M Fund, and two subprograms in the CRBPMF)).

This Overview will describe Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. These items together put the appropriation in perspective. The Annual Performance Results and Targets, Means and Strategies, and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview will address Program Assessment Rating Tool (PART), and Significant Program Shifts.

Strategic Context

Following publication of the Administration's National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the "goal cascade" is the following:

Department Mission – Strategic Goal (25 yrs) – General Goal (10-15 yrs) – Program Goal (GPRA Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA[a] unit" concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or will complete a Program Assessment Rating Tool (PART). A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.[b]

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President's Management Agenda (PMA).

Mission

Western markets and delivers reliable, cost-based Federal hydroelectric power and related services in the central and western United States. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

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[a] Government Performance and Results Act of 1993.

[b] The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future use.

Benefits

Western delivers reliable power and related services over a 1.3-million-square-mile area to a diverse group of several hundred customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provides for recovery of annual operational costs, including the generating agencies' costs, and repayment of taxpayer investment in the Federal hydropower program.

Strategic Goals

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission) plus seven general goals that tie to the strategic goals. The Western Area Power Administration appropriations support the following goal:

Energy Strategic Goal: To protect our national and economic security by reducing imports and promoting a diverse supply of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of reliable, affordable and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

The program funded by the Construction, Rehabilitation, Operation and Maintenance – Western Area Power Administration, the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund appropriations has one Program Goal that contributes to the General Goal in the "goal cascade". This goal is:

Program Goal 04.53.00.00: Market and Deliver Federal Power – Customers receive the benefits of Federal power that produce sufficient revenue to repay the American taxpayers' investments allocated to power.

Contribution to General Goal 4

Within Western's three accounts (Construction, Rehabilitation, Operation and Maintenance Account, the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund), Western contributes to the Energy Security goal by performing its power marketing mission in a manner that maintains the safety of employees and the public, ensures the reliability of its power system in an evolving electric utility industry, and repays the United States Treasury for the costs associated with the generation and transmission of the power and related services within the timeframes established by law and regulation.

Funding by General Goal

(dollars in thousands)

	FY 2003[a]	FY 2004[b]	FY 2005	$ Change	% Change
General Goal 4, Energy Security					
Program Goal 04.53.00.00, Western Area Power Administration accounts					
Construction, Rehabilitation, Operation and Maintenance Account (CROM).....	359,767	366,992	176,768	-190,224	-51.8%
Falcon and Amistad Operating and Maintenance Account.....	2,716	2,625	2,827	+202	+7.7%
Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses...	409,794	193,561	206,617	+13,056	+6.7%
Subtotal, General Goal 4.....	772,277	563,178	386,212	-176,966	-31.4%
Use of Prior Year Balances (CROM)	-1,200	0	0	0	0.0%
Offsetting Collections (CROM).....	-190,807	-190,092	-3,668	+186,424	+98.1%
Offsetting Collections (CRBPMF).....	-431,794	-215,561	-229,617	-14,056	-6.5%
Total, General Goal 4 (Western Area Power Administration accounts).....	148,476	157,525	152,927	-4,598	-2.9%

[a] FY 2003 amounts reflect rescission of $1,097,577 to CROM, and $17,771 to Falcon and Amistad (P.L. 108-7).

[b] FY 2004 amounts reflect the 0.59% rescission of $1,049,905 to CROM, and $15,576 to Falcon and Amistad.

Annual Performance Results and Targets

FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
Western Area Power Administration					
Transmission System Performance: Ensure that each power system control area operated by a PMA receives, for each month of the fiscal year, a Control Compliance Rating of "Pass" using the North American Electric Reliability Council performance standard. (MET GOAL) Actual: CPS1: 199.4 CPS2: 98.3	Transmission System Performance: (MET GOAL) Actual: CPS1: 186.9 CPS2: 98.5	Transmission System Performance: (MET GOAL) Actual: CPS1: 185.7 CPS2: 98.5	System Reliability Performance: The target is to attain monthly NERC compliance ratings of 100 or higher for Control Performance Standard (CPS) 1 and a rating of 90 or above for CPS2. (ER9-1) Actual: CPS1: 184.2 CPS2: 98.1	System Reliability Performance: Attain monthly NERC compliance ratings of 100 or higher for Control Performance Standard (CPS) 1 and a rating of 90 or above for CPS2. (ER9-1)	System Reliability Performance: Attain acceptable North American Electric Reliability Council (NERC) ratings for the following Control Performance Standards (CPS) measuring the balance between power generation and load: 1) CPS1 which measures generation/load balance and support system frequency on one minute intervals (rating>100); and 2) CPS2 which limits any imbalance magnitude to acceptable levels (rating>90).
				System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. (ER9-1)	System Reliability Performance: Accountable customer and/or transmission element outages will not exceed the average number of outages for the past five years. System Reliability Performance: Maintain ratio of repair work hours to total maintenance hours at less than or equal to 10%.

FY 2000 Results	FY 2001 Results	FY 2002 Results	FY 2003 Results	FY 2004 Targets	FY 2005 Targets
Repayment of Federal Power Investment: Meet planned repayment of principal on power investment. (DID NOT MEET GOAL) Actual: $78.0M	Repayment of Federal Power Investment: (DID NOT MEET GOAL) Actual: $54.1M	Repayment of Federal Power Investment: (MET GOAL) Actual: $57.2 M	Repayment of Federal Power Investment: For FY 2003, year-end results are not available. The target is to meet planned annual repayment of principal on Federal power investment. (ER9-2) Actual: Results not available	Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investment. (ER9-1)	Repayment of Federal Power Investment: Meet 10 year (FY 1995-2005) planned repayment for Western's major projects. Repayment of Federal Power Investment: Ensure unpaid Federal Investment is equal to or less than the allowable unpaid Federal investment.
Safety: Achieve a safety performance of a 3.3 recordable accident frequency rate for recordable injuries per 200,000 hours worked or the Bureau of Labor Statistics' industry rate, whichever is lower. (MET GOAL) Actual: 1.9	Safety, Recordable accident frequency rate: (MET GOAL) Actual: 1.9	Safety, Recordable accident frequency rate: (MET GOAL) Actual: 1.7	Recordable Accident Frequency Rate: FY 2003 results aren't available. The target is to achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of 3.3 or less, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-3) Actual: 2.5	Recordable Accident Frequency Rate: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (ER9-1)	Recordable Accident Frequency Rate: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower.

Means and Strategies

Western will use various means and strategies, outlined below, to achieve its program goal to ensure customers continue to receive maximum benefit from the Federal hydropower program while repayment of taxpayer investment in the program is secured. Various external factors are also shown which may impact Western's ability to achieve these goals. In addition, Western also requires the collaborative support of its Federal hydropower partners to help achieve its goals.

Western will implement the following means:

- Western will make improvements and perform maintenance on its transmission, communications, and control systems while adhering to strict safety practices.

- Western will also make improvements to its analytic capabilities, work force skills, and employee retention.

Western will continue the following strategies:

- Western will utilize sound business practices and prudent risk management.

- Western will continue to train its employees in occupational safety and health regulations, policies, and procedures, and hold safety meetings at employee, supervisory and management levels in order to keep its safety culture strong. Accidents will be reviewed to ensure that lessons are learned and proper work controls are in place.

The following external factors could affect Western's ability to achieve its goals:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in NERC operation standards, new load patterns, deregulation of the electricity market, changing electric industry organizational structures, and additions to other utilities' transmission systems interconnected to the Federal system.

- Achieving and maintaining planned repayment can be affected by weather, power markets, natural disasters, and other external costs and revenue factors.

- Achieving and maintaining safety goals can be affected by the loss of expertise due to retirements and the inability to replace the expertise, weather conditions, encroachment on rights-of-way, terrain, and location of the equipment being maintained.

Successful collaboration of the Federal hydropower partners is necessary for Western to achieve its goals. Western coordinates its operational activities with the U.S. Army Corps of Engineers, Bureau of Reclamation, International Boundary and Water Commission, North American Electric Reliability Council (NERC), regional electric reliability councils, and its customers to provide the most efficient use of Federal assets.

Validation and Verification

Annual performance goals for operational reliability are evaluated against NERC operating standards for the electric utility industry; repayment performance is determined by standards set forth in DOE Order RA 6120.2; and safety performance is baselined against Bureau of Labor Statistics published industry safety rates.

To validate and verify program performance, Western will conduct various internal reviews and audits. In addition, Western's program is subject to continuing independent review by external entities such as Congress, the General Accounting Office, the Department's Inspector General, the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency, the Office of Personnel Management, NERC, and the Regional Reliability Council.

Program Assessment Rating Tool (PART)

The Department implemented a tool to evaluate selected programs. PART was developed by the Office of Management and Budget (OMB) to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of the PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output-oriented goals, the successful completion of which will lead to benefits to the public, such as increased national security and energy security, and improved financial and environmental conditions. DOE has incorporated feedback from OMB into the FY 2005 Budget Request, and the Department will take the necessary steps to continue to improve performance.

For the FY 2004 Budget, Western participated in a program assessment with the OMB using the PART. The resulting scores and findings were provided to Congress with the FY 2004 budget request. In the PART review, OMB gave Western fairly high scores for Planning (78), Results and Accountability (78), and Management (91). These scores were attributed to Western meeting National electric utility standards, conducting internal management reviews, and having a well-developed and reviewed transmission replacement program. OMB provided a lower score for Program Purpose (60); this score was attributed to OMB's findings that suggest Western's purpose does not make a unique contribution to solving the industry's problems and competes with private industry. To address several of the findings, changes in the legislation would be required. The General Accounting Office has identified other areas that can be improved under existing authorizations. In the interim, Western will continue to pursue its statutory mandates with regard to marketing of Federal power, customer preference, cost recovery, widespread use of power, and disposition of revenues.

The scores for Planning and Results/Accountability reflect the OMB finding that Western did not have adequate long-term goals, targets and measures; specifically efficiency measures. Western is continuing to develop measures of long- and short-term performance, including efficiency measures; changes are included in the FY 2005 column of the "Annual Results and Targets" section of this budget request. Western is continuing to work with OMB in finalizing these goals.

Significant Program Shifts

- The FY 2005 request continues to assume implementation of the Administration's FY 2004 proposal to fund certain U.S. Army Corps of Engineers' (Corps) operation and maintenance costs with

Western collected power receipts. The Corps' hydropower related operation and maintenance and small, short-lived, capital investments in Western's service area allocated to the power function for repayment is proposed for funding using receipts from the sale of power and related services. In addition, the budget extends the receipt funding proposal to cover the annual hydropower related operation and maintenance and research and development expenditures of the Department of Interior's Bureau of Reclamation hydropower facilities in Western's service area. The receipt funding method will help to ensure resources, recovered from the Federal hydropower program beneficiaries, are made available to the hydropower generating agencies to adequately operate and maintain their respective hydropower generating assets.

- The FY 2005 request assumes the final phase-out of the Federal financing of the Power Marketing Administration's purchase power and wheeling activities. Industry restructuring and resulting competition now makes it attractive for many Western customers to shop for power and transmission services. Authority to use receipts to fund the purchase power and wheeling requirements expires at the end of FY 2004. For customers that are unable or unwilling to conduct these activities on their own, Western will continue to provide support using alternative financing methods (such as net billing, bill crediting and customer advances). In addition, the budget request displays these activities in FY 2005 at levels limited to historical average water levels and prevailing prices in 2002 and 2003. Use of the Emergency/Continuing Fund is anticipated if water levels fall below these long-term averages and result in power generation constraints.
- The FY 2005 request does not include funding for the Utah Reclamation Mitigation and Conservation Account. New appropriation language is proposed to transfer authorities and future contributions for the Account from the Secretary of Energy, Western Area Power Administration to the Secretary of the Interior, Bureau of Reclamation.
- Responding to a May 2001 directive by DOE Secretary Spencer Abraham, Western put together a public-private partnership to resolve the longstanding congestion problem along Path 15, a transmission bottleneck between northern and southern California. On June 12, 2002, the Federal Energy Regulatory Commission approved a Letter Agreement setting out cost recovery and incentive proposals for this non-Federally financed $306 million upgrade to the transmission line. The California Independent System Operator voted to accept the upgrade on June 25, 2002. On May 27, 2003, Western announced the firm it selected to construct the transmission line portion of the project. Western and its Path 15 partners, Trans-Elect Inc. and Pacific Gas and Electric Company, broke ground on the project in 2003 and expect completion by late 2004.
- Western fully supports the President's Management Agenda (PMA) to become a more efficient and more effective government and embraces the "Where We'd Be Proud To Be" concept. We have integrated the principles of the five initiatives into our organization and are in the process of working with OMB and DOE to make performance measures more focused and useful for making management decisions. We are participating in DOE's quarterly PMA Scorecard process and are working closely with them to demonstrate improvements being made at Western.
    - Western began implementation of its Human Capital Plan in FY 2002 to ensure that qualified employees are retained well into the future, despite an aging workforce. Western's plan addresses workforce and succession planning, recruitment and retention, the development of talented employees, and improvements in the link between pay and performance. Western has developed a workforce planning model that provides a methodical process of analyzing the current workforce, determining future workforce needs, identifying the gaps between the

present and future workforce needs, and implementing strategic human capital initiatives to eliminate those gaps. Western has developed a Management Succession Program, and Emerging Leaders Program, a Recruitment/Marketing Council, and a new management performance system linked to SES performance plans. Western is also developing a Human Capital training program for managers, obtaining critical workplace information through exit interviews, recent hire surveys, and general employee surveys, and planning to extend the link in the SES performance plans beyond management to all levels in the organization.

- Western is a component of the Departments competitive sourcing initiative to make government operations more efficient and cost-effective. Customer oversight of Western's costs through participation in public ratemaking processes accomplishes these objectives. The Department and OMB determined that further studies of Western functions unnecessarily duplicate these processes and have not included Western staffing in competitive review plans or targets.
- Western has implemented an enterprise resources management system to collect, track and report critical financial and maintenance data. The major parts of this system are the Business Information Decision Support System (BIDSS) and MAXIMO, a maintenance management system. The MAXIMO system will be upgraded to version 5 in FY 2005 and BIDSS (Oracle Federal Financials) was upgraded to version 11i for the start of FY 2004 business. The upgrades will enhance data integrity both for internal management and audit requirements. Western met the accelerated reporting dates for both the FY 2003 FACTSI/II reporting and the FY 2003 Annual Assurance Memorandum.
- Western is actively working to move from a "yellow" to a "green" expanded e-government score by addressing comments provided in the DOE Consolidated Quarterly Performance Report, Third Quarter, FY 2003. In June and August 2003, Western's Enterprise Architecture was submitted and received a "green" score from DOE. The FY 2004 BIDSS Exhibit 300 passed OMB review; and the FY 2005 submission passed DOE review. Western participates on twelve Project IDEA initiatives.
- Beginning with FY 2003, Western integrated its performance measures with its budget request and provided a five-year plan that ties the program's funding request to its annual performance targets and links it with that of the Department's overall program. During the second quarter of FY 2003, Western refined its annual performance measures and developed new long-term measures. These include efficiency measures that support Western's FY 2005 budget request and DOE's General Goal 4, Energy Security. Western received a "green" score on DOE's Budget & Performance Integration Internal Scorecard for the fourth quarter of FY 2003.

- In response to post 9/11 security concerns, $1.4 million is targeted toward physical security enhancements and additions in FY 2005, including perimeter fencing and intrusion detection devices.
- In Western's Central Valley Project (CVP), the existing integration agreements with Pacific Gas and Electric (PG&E) will expire at the close of December 2004. PG&E has expressed reluctance to extend the existing contracts and has requested that successor transmission and interconnection contracts be negotiated. Western must undertake new arrangements to ensure that a cost effective method to retain a continuous transmission path connecting Federally-owned assets to the Pacific Northwest exists. In the absence of any new arrangements, CVP customers could face a substantial

increase in costs. In some cases, the cost of receiving Western power may become uneconomical for Federal end-use power allottees. In consultation with customers, the Bureau of Reclamation, and the California Independent System Operator (CAISO), Western is carefully evaluating its options to find a cost-effective solution which preserves customer choice and maintains sufficient flexibility for Western to react responsively to changes in the electric utility industry. Western currently has a public process underway to solicit comments from customers and interested stakeholders to select an operational configuration for post-2004 operations. Western anticipates making a final decision on its post-2004 operational configuration, based on a fully open process, in early calendar year 2004.

Construction, Rehabilitation, Operation and Maintenance

Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Western Area Power Administration	359,767	366,992	176,768	-190,224	-51.8%
Total, Construction, Rehabilitation, Operation and Maintenance Account	359,767	366,992	176,768	-190,224	-51.8%

Site Description

Western's service area covers 1.3-million square-miles in 15 states. Western markets and delivers energy to nearly 700 wholesale power customers. These customers, in turn, provide retail electric service to millions of consumers in these central and western states: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

Western annually markets and transmits about 10,000 megawatts of power from 55 hydropower plants and sells about 40 percent of regional hydroelectric generation. Western also markets the United States' entitlement from the coal-fired Navajo Generating Station near Page, Arizona.

Western operates and maintains an extensive and complex high-voltage transmission system to deliver power to its customers. Using the 17,474-circuit-mile Federal transmission system, Western will market and deliver reliable electric power to most of the western half of the United States.

The power facilities are made up of 14 multipurpose water resource projects and one transmission project. The systems include Western's transmission facilities and power generation facilities owned and operated by the U. S. Bureau of Reclamation, the U. S. Army Corps of Engineers and the U.S. Section of the International Boundary and Water Commission.

Power sales, transmission operations and engineering services for Western's system are accomplished by its employees at 52 duty stations located throughout its service area. These include the Corporate Services Office in Lakewood, Colorado, and four customer service regional offices in Billings, Montana; Loveland, Colorado; Phoenix, Arizona; and Folsom, California. The Colorado River Storage Project is also supported by a Management Center in Salt Lake City, Utah.

Falcon and Amistad Operating and Maintenance Fund

Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Western Area Power Administration	2,716	2,625	2,827	+202	+7.7%
Total, Falcon and Amistad Operating and Maintenance Fund	2,716	2,625	2,827	+202	+7.7%

Site Description

The Falcon-Amistad Project consists of two international storage projects located on the Rio Grande River between Texas and Mexico. The United States and Mexico operate separate powerplants on each side of the Rio Grande River. The power output is divided evenly between the two nations. The State Department International Boundary and Water Commission (IBWC) owns and operates the U. S. portion of the projects.

Falcon Dam is located about 130 miles upstream from Brownsville, Texas. The United States' portion of construction, operation and maintenance was authorized by Congress in 1950. Construction was started in that year and completed in 1954. The United States' share of Falcon Powerplant capacity is 31.5 megawatts (MW). The powerplant came on line in 1954.

Colorado River Basins Power Marketing Fund

Funding by Site by Program

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Western Area Power Administration	409,794	193,561	206,617	+13,056	+6.7%
Total, Colorado River Basins Power Marketing Fund	409,794	193,561	206,617	+13,056	+6.7%

Site Description

The Colorado River Basins Power Marketing Program is comprised of three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project; and the Colorado River Basin Project. Western Area Power Administration is responsible for construction, maintenance, and operation of facilities for transmitting and marketing the electrical energy generated in these power systems. A brief description of each follows:

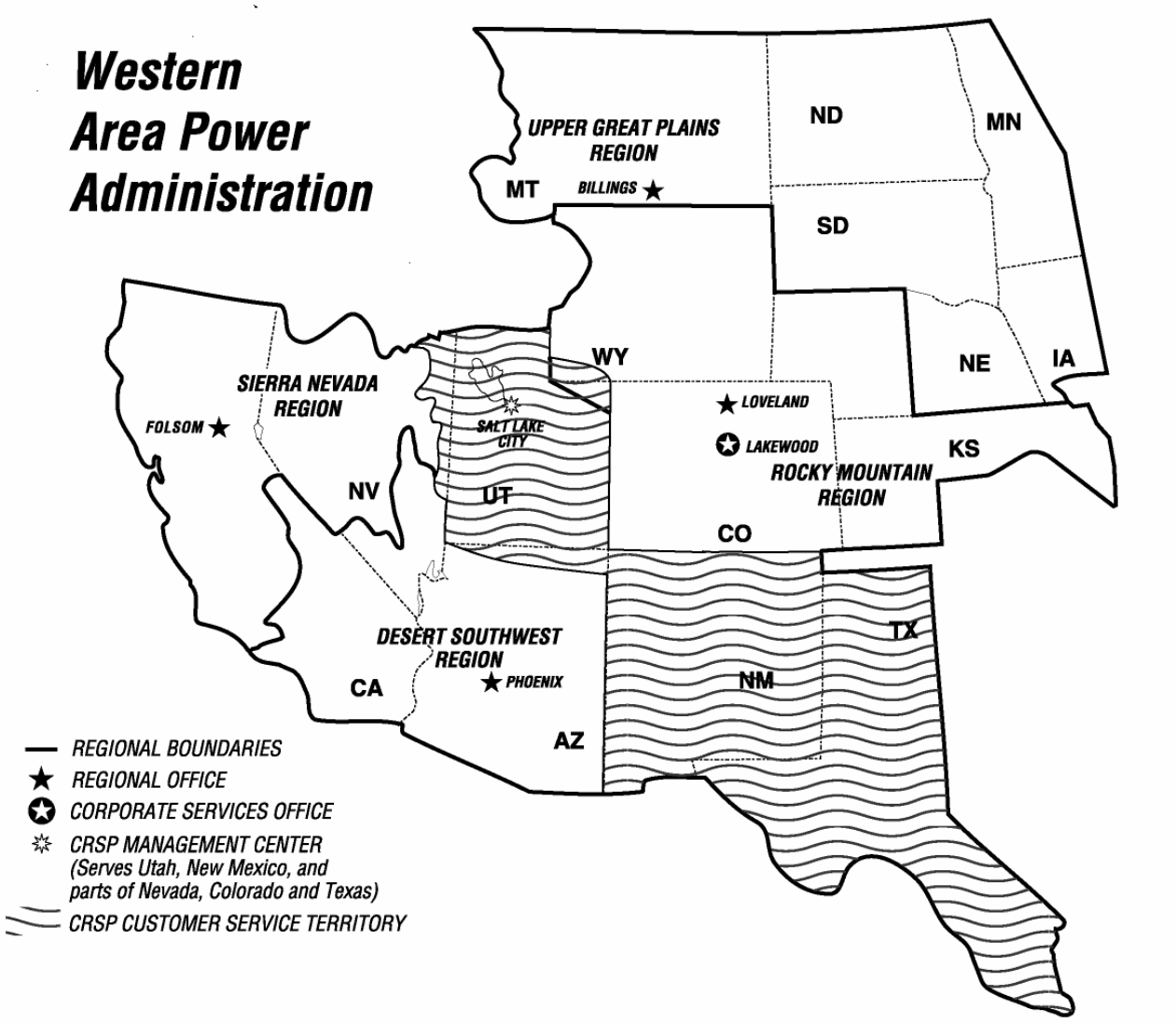
The **Colorado River Storage Project** (CRSP) was authorized in 1956. It consists of four major storage units: Glen Canyon, on the Colorado River in Arizona near the Utah border; Flaming Gorge on the Green River in Utah near the Wyoming border; Navajo on the San Juan River in northwestern New Mexico near the Colorado border; and the Wayne N. Aspinall unit on the Gunnison River in west-central Colorado.

CRSP has a combined storage capacity that exceeds 33.5 million acre-feet. Five Federal powerplants associated with the project, with 16 generating units, have an operating capacity of 1,710 MW. CRSP provides for the electrical needs of more than a million people spread across Colorado, Utah, New Mexico and Arizona. Portions of Nevada and Wyoming are also served by CRSP power.

The **Dolores Project**, located in Montezuma and Dolores counties in southwestern Colorado, and the **Seedskadee Project**, located in southwestern Wyoming, were authorized as participating projects of CRSP. Dolores, a multipurpose project, provides 12.8 MW of installed power generating capacity along with municipal and industrial water, irrigation water, and recreation and fish and wildlife enhancement. The Dolores Project powerplants at McPhee Dam and the Towaoc Canal produce 1.3 and 11.5 MW, respectively. Seedskadee's power facilities, associated with the project's Fontenelle Dam, include an 11.5-MW powerplant, switchyard and necessary transmission lines to interconnect with the CRSP transmission system at Flaming Gorge Powerplant.

The **Fort Peck Project**, located on the Missouri River in northeastern Montana, was begun under an Executive Order in October 1933 as part of the Public Works Administration. The Fort Peck Project Act of 1938 authorized the completion, maintenance and operation of the project, and the Flood Control Act of 1944 authorized integration of operation of the project with the Pick-Sloan Missouri Basin Program to serve a common market area. Installed generating capacity of the 5 units is 218 MW, which is delivered primarily to customers in eastern Montana and western North Dakota.

The Central Arizona Project (CAP) was authorized to furnish irrigation and municipal water supplies to Arizona and New Mexico, and for other purposes. No funding within the revolving fund program is requested for FY 2005. This project has migrated to reimbursable funding.


Western
Area Power
Administration
UPPER GREAT PLAINS
REGION
MT
BILLINGS
ND
MN
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NE
IA
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SIERRA NEVADA
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FOLSOM
SALT LAKE
CITY
LOVELAND
LAKEWOOD
KS
ROCKY MOUNTAIN
REGION
NV
UT
CO
DESERT SOUTHWEST
REGION
PHOENIX
CA
AZ
NM
TX
REGIONAL BOUNDARIES
REGIONAL OFFICE
CORPORATE SERVICES OFFICE
CRSP MANAGEMENT CENTER
(Serves Utah, New Mexico, and
parts of Nevada, Colorado and Texas)
CRSP CUSTOMER SERVICE TERRITORY

Construction, Rehabilitation, Operation and Maintenance

Funding Profile by Subprogram

(dollars in thousands)

	FY 2003[a] Comparable Appropriation	FY 2004 Original Appropriation	FY 2004[b] Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Construction, Rehabilitation, Operation and Maintenance Account					
Program Direction [c]	111,904	126,588	-727	125,861	116,756
Operation and Maintenance [c]	38,009	36,204	-210	35,994	39,821
Construction and Rehabilitation	17,669	12,950	-76	12,874	20,191
Purchase Power and Wheeling [d]	186,124	182,108	+3,992	186,100	0
Utah Mitigation and Conservation	6,061	6,200	-37	6,163	0
Total Program, Operating Expenses	359,767	364,050	+2,942	366,992	176,768
Use of Prior Year Balances	-1,200	0	0	0	0
Offsetting Collections from Colorado River Dam Fund (P. L. 98-381)	-4,683	-3,992	0	-3,992	-3,668
Offsetting Collections – PP&W (P.L. 106-377, P.L. 108-7, Consolidated (Omnibus) Appropriations Bill for FY 2004)	-186,124	-182,108	-3,992	-186,100	0
Total Budget Authority Request	167,760	177,950	-1,050	176,900	173,100

Public Law Authorizations:

Public Law 57-161, "The Reclamation Act of 1902"
Public Law 78-534, "Flood Control Act of 1944"
Public Law 95-91, "Department of Energy Organization Act" (1977)
Public Law 102-486, "Energy Policy Act of 1992"
Public Law 66-389, "Sundry Civil Appropriations Act" (1922)
Public Law 76-260, "Reclamation Project Act of 1939"
Public Law 80-790, "Emergency Fund Act of 1948"

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[a] Reflects the general across-the-board rescission of $1,097,577 ($699,486 Program Direction, $243,941 Operation and Maintenance, $114,780 Construction and Rehabilitation, and $39,370 Utah Reclamation Mitigation and Conservation) (P.L. 108-7).

[b] Reflects a total rescission of $1,049,905 ($726,880 Program Direction, $210,040 Operation and Maintenance, $76,405 Construction and Rehabilitation, and $36,580 Utah Mitigation and Conservation) from the Consolidated (Omnibus) Appropriations Bill for FY 2004. The bill also provides $3,992,000 in receipt spending authority for Purchase Power and Wheeling.

[c] Funding amounts include activities of the Boulder Canyon Project which are funded through Colorado River Dam Fund receipts via a reimbursable agreement with the Department of Interior as authorized in P. L. 98-381.

[d] The total purchase power and wheeling requirements are $346.4 million, $271.0 million, and $218.2 million for FY 2003, FY 2004, and FY 2005, respectively. No Federal financing is requested in FY 2005; rather customers are encouraged to enter the market to make their own arrangements. Western will continue to support those unable or unwilling through alternative financing methods including net billing, bill crediting, Federal and non-Federal reimbursable authority.

Public Law 102-575, "Reclamation Projects Authorization and Adjustment Act of 1992"
"Economy Act" of 1932, as amended (41 stat. 613)
"Interior Department Appropriation Act of 1928" (44 stat. 957)
Public Law 70-642, "Boulder Canyon Project Act" (1928)
Public Law 75-756, "Boulder Canyon Project Adjustment Act" (1940)
Public Law 98-381, "Hoover Power Plant Act of 1984"

Mission

The Western markets and delivers reliable, cost-based Federal hydroelectric power and related services.

Benefits

Western delivers reliable power and related services over a 1.3-million-square-mile area to a diverse group of several hundred customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provides for recovery of annual operational costs, including the generating agencies' costs, and repayment of taxpayer investment in the Federal hydropower program. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

Program Direction

Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2003[a]	FY 2004[b]	FY 2005	$ Change	% Change
Program Direction [c]					
Salaries & Benefits	82,265	89,159	79,107	-10,052	-11.3%
Travel	6,526	6,968	7,553	+585	+8.4%
Support Services	10,488	13,734	12,930	-804	-5.9%
Other Related Services	12,625	16,000	17,166	+1,166	+7.3%
Total, Program Direction	111,904	125,861	116,756	-9,105	-7.2%
Use of Receipts from Colorado River Dam Fund	-4,226	-3,388	-2,747	+641	+18.9%
Total, Program Direction Budget Authority	107,678	122,473	114,009	-8,464	-6.9%
Full-time Equivalents	1,030	1,041	1,043	+2	+0.2%

Mission

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from staff offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These functions include managing information technology, ensuring sound legal advice and fiscal stewardship, developing and implementing uniform program policy and procedures, maintaining and supporting our workforce, safeguarding our work spaces, and providing Congressional and public liaison.

Western's Program Direction activity provides compensation and all related expenses for the workforce that operates and maintains Western's high-voltage interconnected transmission system and associated facilities; those that plan, design, and supervise the construction of replacements, upgrades and additions (capital investments) to the transmission facilities; and those that market the power and energy produced to repay annual expenses and capital investment.

Western previously executed a self-imposed downsizing effort to ensure its competitiveness in the industry. By the end of FY 1998, this transformation resulted in a reduction of 26 percent of total staff

[a] FY 2003 amount reflects a general across-the-board rescission of $699,486 (P.L. 108-7).

[b] FY 2004 amount reflects the across-the-board rescission of $726,880 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

[c] Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded through a Reimbursable Agreement with the Department of Interior, Bureau of Reclamation.

(Federal staff decreased from 1,504 to 1,329; contract staff went from 601 to 239). Western's FY 2003 total Federal FTE usage was 1,306.

The Program Direction activity supports DOE's Energy Security goal. To attain reliability performance, dispatchers match generation to load minute-by-minute to meet or exceed performance levels established by NERC. Western maintains the interconnected system at or above industry standards to reduce transmission outages. Energy schedulers maximize revenues from non-firm energy sales and power rates are reviewed and adjusted to support repayment of Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

Western operates and maintains a transmission system to deliver an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner within its 15-state service territory. Western achieves continuity of service by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing environmental clean-up activities, and maximizing the benefits gained from non-firm energy sales. Additionally, Western operates the Western Electricity Coordinating Council's Rocky Mountain/Desert Southwest Reliability Coordination Center.

Western markets power generated at 55 hydropower plants which are operated primarily by the Bureau of Reclamation, the U. S. Army Corps of Engineers, and the U. S. Section of the International Boundary and Water Commission. Western also markets the United States' entitlement from the Navajo coal-fired powerplant near Page, Arizona.

In concert with its customers, Western reviews required replacements and upgrades to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses. The timing and scope of these replacements and upgrades are critical to assure that Western's facilities do not become the "weak link" in the interconnected system. Western pursues opportunities to join with neighboring utilities to jointly finance activities, which result in realized cost savings and/or increased efficiencies for all participants and avoid redundant facilities.

Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Salaries and Benefits	**82,265**	**89,159**	**79,107**

Salaries and benefits are provided for Federal employees to operate and maintain, on a continuing basis, Western's high-voltage interconnected transmission system comprised of 17,474 circuit-miles of line, 268 substations, associated power system control and communication, and general plant facilities. Craft workers rapidly restore the transmission system following any disturbance, and routinely maintain and/or replace equipment to assure capability for reliable delivery of power. Dispatchers provide 24-hour-a-day operation of four dispatching centers and one reliability coordination center. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed NERC and industry averages for system reliability and performance. Engineers and craft workers maintain the interconnected system at or above industry standards to reduce transmission outages. Energy schedulers

(dollars in thousands)

maximize revenues from non-firm energy sales. Staff provides continuing services such as system operations, power billing and collection, power marketing, rate setting activities, energy services, environmental, safety, security and emergency management activities. Due to the extreme hazards associated with a high-voltage electrical system, staffs make safety a priority in each and every task. Staff inspects construction activities in progress (identified in the Construction and Rehabilitation activity) to ensure quality results and safe working methods. General power resources planning and preconstruction activities continue, including planning, environmental clearance, collection of field data, design of facilities, and issuance of specifications for future rehabilitation and upgrades of existing transmission lines and the review/coordination of requests for transmission system interconnections. Staff evaluates general power resources, collaborating and planning with customers and other members of the interconnected transmission system, to identify the most effective transmission system improvements to maximize benefits to all participants.

Total FTE numbers for FY 2005 include 1,026 for Western's Construction, Rehabilitation, Operation and Maintenance (CROM) Account activities and 17 for Boulder Canyon Project (BCP) activities accomplished using receipts from the Colorado River Dam Fund under a reimbursable agreement with the Bureau of Reclamation. FTE reflected for CROM Account activities total 1,012 and 1,023 for FY 2003 and 2004, respectively. FTE associated with BCP activities remain constant at 18 for both FY 2003 and FY 2004.

The additional FTE requested in 2005 for Western's CROM Account are required to support various additional requirements. This increase includes an Environmental Protection Specialist responsible for responding to a growing environmental compliance and NEPA workload due to increasing power customer loads serving interconnection and Federal projects related to the implementation of FERC Orders. The increase also supports additional computer specialists to support cyber security, coordination, vulnerability testing, and participation on various security teams. Increases by specific regions to support scheduling, dispatching, and engineering are offset by decreases elsewhere throughout Western. The decreases to this activity overall are attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs.

The FY 2005 funding request reflects anticipated salary and within-grade increases to fund the majority of the 1,026 FTE financed in this account. The program request includes $1,752 thousand for salary and benefit activities of the Boulder Canyon Project, while customer advances finance the remainder. Western's overall average budgeted salary/benefit costs per FTE for FY 2003, FY 2004, and FY 2005 are $90 thousand, $96 thousand, and $102 thousand respectively. Over 37 percent of Western's personnel salaries and compensation policies are determined through wage surveys and union negotiations (craft workers, power system dispatchers, schedulers, and marketers) and become effective at the beginning of a fiscal year rather than in January as do the GS scale increases.

Travel	**6,526**	**6,968**	**7,553**

Estimates, including $146 thousand for the Boulder Canyon Project, include transportation and per diem allowances for day-to-day performance of duties of Federal staff, including crews who maintain the interconnected system. The remote and rural locations in Western's 15-state service area lead to less competitive pricing. Rental/lease of GSA vehicles and transportation of things are also included. Estimates are based on historical costs and an assessment of planned activity. The increase is attributed

(dollars in thousands)

FY 2003	FY 2004	FY 2005

to inflationary increases and anticipated travel increases in support of Western's Construction and Rehabilitation (C&R) and Operations and Maintenance (O&M) planned program levels. Increases to Western's O&M activities affecting Western's travel request include efforts such as the replacement of wood structures, safety and security upgrades in various substations, as well as the replacement of communication items to include remote terminal units at numerous sites across Western.

Support Services..... 10,488 13,734 12,930

Support services funded in this activity include information processing, warehousing, computer-aided drafting, engineering, and general administrative support. The net decrease of $804 thousand includes an increase of $829 thousand in ADP support offset by a decrease of $1.2 million for technical economic and environmental analysis and $410 thousand in administrative support. The ADP increases are attributable to inflation and anticipated contract renegotiations. The decreases to this activity are attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs. Receipts from the Colorado River Dam Fund provide $363 thousand of funding for the Boulder Canyon portion of this request.

Other Related Expenses..... 12,625 16,000 17,166

Other related expenses include rental space, utilities, supplies and materials, telecommunications, personal computers, printing and reproduction, training tuition, and DOE's working capital fund distribution. The Boulder Canyon portion of these expenses total $486 thousand. Rental space costs assume the General Services Administration's (GSA) inflation factor. Other costs are based on historical usage and actual cost of similar items. The increase is mostly attributed to inflation and slight increases in printing and reproduction, communication, working capital fund distribution estimates from DOE, and miscellaneous services estimates. The miscellaneous services estimates include increases of $175 thousand for post-9/11 additional physical security activities in the Desert Southwest Region. These activities include the installation of card readers, fire detection/alarm and video surveillance systems, smoke/heat detectors as well as other upgrades and enhancements. The increases are partially offset by decreases to training, rental space, and planned equipment purchases.

Total, Program Direction..... 111,904 125,861 116,756

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Salaries and Benefits	
▪ The decrease to salary and benefits is attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs.	-10,052
Travel	
▪ The increase in travel is attributed to inflationary increases and planned increases in program activity within the CROM Account	+585
Support Services	
▪ Support services estimate includes increases in ADP services for inflation and contract renegotiations, offset partially by a decrease in administrative services attributable to management's emphasis in seeking alternative financing, thus allowing Western to maintain its capital programs...	-804
Other Related Expenses	
▪ The increase is mostly attributed to inflation and slight increases in printing and reproduction, communication, working capital fund distribution, and miscellaneous services estimates, partially offset by decreases to training, rental space, and planned equipment purchases	+1,166
Total Funding Change, Program Direction	**-9,105**

Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Technical Support					
Economic and Environmental Analysis	0	1,223	0	-1,223	-100.0%
Test and Evaluation Studies	0	0	0	0	0.0%
Total, Technical Support	0	1,223	0	-1,223	-100.0%
Management Support					
Management Studies	16	0	0	0	0.0%
Training and Education	0	0	0	0	0.0%
ADP Support	5,258	5,258	6,087	+829	+15.8%
Administrative Support	5,214	7,253	6,843	-410	-5.7%
Total, Management Support	10,488	12,511	12,930	+419	+3.3%
Total, Support Services	10,488	13,734	12,930	-804	-5.9%

Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Training	828	828	608	-220	-26.6%
Working Capital Fund	933	937	1,023	+86	+9.2%
Printing and Reproduction	153	153	202	+49	+32.0%
Rental Space	2,491	2,418	1,943	-475	-19.6%
Software Procurement/Maintenance Activities/Capital Acquisitions	2,637	4,292	4,691	+399	+9.3%
Other	5,583	7,372	8,699	+1,327	+18.0%
Total, Other Related Expenses	12,625	16,000	17,166	+1,166	+7.3%

Operation and Maintenance

Funding Schedule by Activity

(dollars in thousands)

	FY 2003[a]	FY 2004[b]	FY 2005	$ Change	% Change
Operation and Maintenance [c]					
Regular Operation and Maintenance	19,086	17,902	16,469	-1,433	-8.0%
Replacements and Additions	18,923	18,092	23,352	+5,260	+29.1%
Total, Operation and Maintenance	38,009	35,994	39,821	+3,827	+10.6%
Use of Prior Year Balances	-600	0	0	0	0%
Use of Receipts from Colorado River Dam Fund	-457	-604	-921	-317	-52.5%
Total, O&M Budget Authority	36,952	35,390	38,900	+3,510	+9.9%

Description

The mission of Western's Operation and Maintenance (O&M) subprogram is to assure continued reliability of the Federal power system by operating and maintaining Western's transmission system at or above industry standards, including replacement of aging equipment and removal of constraints which would impede power flows.

Benefits

Western's operation and maintenance activity supports DOE's Energy Security goal to protect our national and economic security by reducing imports and promoting a diverse supply of reliable, affordable, and environmentally sound energy. Western ensures reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its 15-state service territory by maintaining its power system at or above industry maintenance standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales.

Supplies and materials, such as wood poles, instrument transformers, meters and relays must be procured to provide necessary resources to respond to routine and emergency situations in Western's high-voltage interconnected transmission system. Western implemented reliability-centered maintenance (RCM) scheduling to contain costs. RCM focuses on identifying critical components in a system and uses preventive and predictive maintenance practices to repair or replace equipment as needed. Technical services, such as waste management disposal, environmental impact analyses, and pest and weed control are used as needed.

Western's planned replacement and addition activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems for individual items of equipment,

[a] FY 2003 amounts reflect a general across-the-board rescission of $243,941 (P.L. 108-7).

[b] Reflects a rescission of $210,040 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

[c] Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded directly through Colorado River Dam Fund receipts via a reimbursable agreement with the Department of the Interior as authorized in P. L. 98-381.

availability of replacement parts, safety of the public and Western's personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western's power customers, who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e., electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relays and oscillographs must be acquired to assure reliable service to Western's customers. System component age, environmental concerns, and risk to system reliability necessitate orderly replacement before significant problems develop.

Replacement, upgrade and installation of microwave, fiber optics, supervisory control and data acquisition, and other communication and control equipment continues to provide increased system reliability and operation, and to reduce maintenance and equipment costs.

Capitalized movable equipment, such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, and IT equipment and software, must be upgraded and replaced.

The personnel expenses and personnel performance accomplishments associated with the O&M activity are combined with those of the Construction and Rehabilitation activity and are reflected in the Program Direction section of Western's budget request.

Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005

Regular Operation and Maintenance..... 19,086 17,902 16,469

Supplies and materials necessary to respond to routine and emergency situations in Western's high-voltage interconnected transmission system will be purchased. The request includes $921,000 for activities in the Boulder Canyon Project, funded directly through receipts from the Colorado River Dam Fund. The continuing maintenance of Western's transmission system at or above industry standards supports DOE's Energy Security Goal, by minimizing sudden failure, unplanned outages, and possible regional power system disruptions. Safe working procedures are discussed before work commences to optimize safety for the public, Western's staff, and equipment. The request is based on projected work plans for activities funded from this account. Estimates are based on historical data of actual supplies needed to operate and maintain the transmission system. Costs are based on recent procurement of similar items.

Replacements and Additions 18,923 18,092 23,352

Western's planned replacement and addition activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems on individual items of equipment, availability of replacement parts, safety of the public and Western's personnel, environmental concerns, and an orderly work plan. Replacement of aged power system components maximizes the reliability and availability of Western's system by reducing the risk of equipment failure, unplanned outages, and possible regional power system disruptions. Removing environmental hazards and replacement of aged

(dollars in thousands)

FY 2003	FY 2004	FY 2005

equipment eliminates safety hazards for the public and Western's personnel. Planned activity is detailed by category below.

- **Electrical Equipment 7,609 7,450 10,861**
  Electrical equipment, such as circuit breakers, transformers, relays, batteries and chargers, reactors, capacitor banks and switches, will be replaced. Treatment and/or replacement of wood poles will extend the life of aging, deteriorating transmission lines. Additionally, existing transmission system easements for the Parker-Davis Project (Arizona), originally purchased 50 years ago, must be renegotiated (third year of a three-year program). Post 9/11 security equipment includes installation of perimeter intrusion detection devices at various locations throughout Western, fencing around control buildings, and other building security equipment. Costs are based on analysis of system operation/maintenance requirements and concerns, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.

- **Communications Equipment 4,481 4,153 4,448**
  Western is replacing/upgrading microwave, supervisory control and data acquisition, and other communication and control equipment. Aged analog radio systems will be replaced with digital radio and fiber optic components in North and South Dakota. Microwave and mobile radio equipment as well as fiber optics are needed in the Rocky Mountain Region, the Sierra Nevada Region, and the Desert Southwest Region. The staged movement to narrow communications band spectrums as directed by the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) continues. A backup control center is proposed for the Upper Great Plains Region Watertown Operations Office which will allow continued operations of the power grid in the event of problems in the main control center. Funds are also requested for Western's portion of a co-shared arrangement to install fiber optics in the Sacramento (California) area, avoiding duplicate fiber networks and meeting WECC reliability requirements for the communication path (third year of a three-year project). Costs are based on analysis of system operation/maintenance requirements, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.

- **Capitalized Movable Equipment 6,833 6,489 8,043**
  Capitalized movable equipment needed to support the O&M of the interconnected power system will be purchased. Replacement of special purpose equipment includes a Condor aerial lift, auger unit, backhoe, crane, 2 trailers, forklift, front-end loader, patrol vehicles, Snowcat, utility tractor, line truck and 3 utility trucks. Post 9/11 security costs include security cameras and recording devices at various sites throughout Western. Western's maintenance tracking system, Maximo, is scheduled for an upgrade to version 5. Replacement needs are based on age, reliability, and safety of equipment, customer-coordinated review, cost analysis of rebuild versus replacement, availability of replacement parts, and obsolescence of diagnostic maintenance tools. Costs are determined using actual costs of similar items.

Total, Operations and Maintenance..... 38,009 35,994 39,821

Explanation of Funding Changes

	FY 2005 Request vs. FY 2004 ($000)
Regular Operation and Maintenance	
▪ Decrease in regular O&M is attributed to need for additional funding for capitalized replacements and additions due to Western's aging infrastructure.	-1,433
Replacements and Additions	
▪ Increases in replacements and additions are attributed to increased purchases in each category: electrical equipment (+$3,411,000), consisting primarily of increased infrastructure replacements at Western's substation and transmission line facilities; communications equipment (+$295,000) and capitalized movable equipment (+$1,554,000), representing the Maximo maintenance tracking system upgrade as well as special post 9-11 security equipment.	+5,260
Total Funding Change, Operation and Maintenance	**+3,827**

Construction and Rehabilitation

Funding Schedule by Activity

(dollars in thousands)

	FY 2003[a]	FY 2004[b]	FY 2005	$ Change	% Change
Construction and Rehabilitation					
Transmission Lines and Terminal Facilities	3,355	3,728	6,776	+3,048	+81.8%
Substations	6,194	2,840	9,125	+6,285	+221.3%
Other [c]	8,120	6,306	4,290	-2,016	-32.0%
Total, Construction & Rehabilitation	17,669	12,874	20,191	+7,317	+56.8%
Use of Prior Year Balances	-600	0	0	0	0%
Total, C&R Budget Authority	17,069	12,874	20,191	+7,317	+56.8%

Description

The mission of Western's Construction and Rehabilitation (C&R) subprogram is to assure continued reliability of the Federal power system by modification, replacement, additions, and interconnections to the Federal power system.

Benefits

Western's construction and rehabilitation (C&R) activity supports DOE's Energy Security goal by emphasizing replacement and upgrading of existing electrical system infrastructure to sustain reliable power delivery to our customers, to support a stable and reliable interconnected power system, to contain annual maintenance expenses, and to retain the value of our assets. Western's transmission system has 17,474 circuit-miles of line and 268 substations. Of the 8,284 miles of wood poles, 5,537, or 67 percent, exceed the normal service life of 40 years, with 3,124, or 38 percent, exceeding 50 years. Western is continually testing, treating, and replacing individual wood poles and hardware to delay the need for replacing an entire transmission line. As substation equipment (such as power transformers, circuit breakers, and control equipment) reaches the end of its useful life, maintenance costs increase, replacement parts become unavailable, risk of outages increase, and system reliability declines. Western has 74 transformers and 83 circuit breakers over 41 years old. The normal service life for power transformers and power circuit breakers is 40 years and 35 years, respectively. While the replacement of this equipment is systematically planned over a 10-year period, actual replacement varies depending on condition and criticality. All replacement and rehabilitation plans are coordinated with our customers to help establish the timing and scope of work at specific substations. When upgrades or additional capacity are required, Western actively pursues opportunities to join with neighboring utilities to jointly finance activities, which result in realized cost savings and increased efficiencies for all participants.

[a] FY 2003 amounts reflect a general across-the-board rescission of $114,780 (P.L. 108-7).

[b] Reflects rescission of $76,405 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

[c] Other includes communication equipment (such as microwave, telecommunications, and supervisory control and data acquisition systems) maintenance facilities, power facility developmental costs, and minor unscheduled jobs.

Western has aggressively reduced its capital investment program from levels around $110 million annually in the early 1990s to an estimated base need of about $30 million (excluding program direction). This base level supports a program that emphasizes replacement and upgrading of existing infrastructure to sustain reliable power delivery to our customers while maintaining competitive rates. Western's planned program level for FY 2005 is $20.2 million, $8 million more than the FY 2004 program request of $12.2 million. This funding level will assist in funding high-priority initiatives defined by Western, the Department, and the President.

Western continues to refine a long-term C&R program level that will maintain the reliability of, and the Government's investment in, Western's power facilities while minimizing effects on power rates. Our challenge has been to continue evaluating Western's facilities which were built 40 to 50 years ago, and proceed with a systematic replacement/upgrade program at a level that retains the value of our assets and assures a safe and reliable transmission system, with minimal rate impacts.

Due to the increase in rehabilitation projects and decrease in new construction projects, it is increasingly difficult to plan specific projects years in advance. A piece of equipment scheduled for replacement may test out fine two years later at the beginning of the execution year, resulting in deferring replacement in favor of equipment at higher risk of failure. Discovery of a failing piece of critical equipment may completely change the planned priority of work. Customer needs may also change; causing Western to revise or reprioritize planned construction projects. Utilities and other entities are also requesting interconnections to Western's transmission system under the provisions of Western's open access transmission tariff, adopted in accordance with the spirit and intent of FERC Order No. 888. These projects often surface suddenly and move quickly, and can significantly impact Western's C&R program planning and project priorities. These projects might be advance funded by the customer, in which case there would be no impact on our appropriation request. While this section of our budget request incorporates Western's best efforts to identify and schedule necessary C&R projects, the increased focus on replacements and the realities of operating and maintaining a complex interconnected power system mean unforeseen priority projects will surface from time to time. Western may have to slip or restructure planned projects to accommodate these sudden priority projects, but our projects will continue to be focused on replacements and upgrades of aging existing equipment necessary to maintain the reliability and integrity of Western's power transmission system. Western's policy is to continue to assign the highest program priority to those situations that pose the highest risk to safety and system reliability, while meeting the mandates for open access to our transmission system.

Western delays replacement costs for as long as reasonably possible while managing the risk of sudden failure and emergency replacement. Postponement beyond this timeframe will contribute to an overall degradation of Western's power facilities, possibly leading to serious power system disruptions and lengthy power outages while crews repair or replace failed equipment under emergency conditions. "Breakdown maintenance" results in higher costs than scheduled replacements and increases safety risks to maintenance crews, as equipment failures are very often tied to extreme weather conditions and/or high system power loadings.

Personnel costs and related expenses for the workforce to plan, collect field data, write specifications, design facilities, award construction contracts, and purchase government-furnished equipment for the C&R activity are combined with those of the O&M activity and are reflected in the Program Direction section of Western's budget request.

Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005

For purposes of budget display, the C&R program is broken into three sections: Transmission Lines and Terminal Facilities, Substations, and Other. The Other category includes communications equipment (microwave, fiber optic, telecommunications, and supervisory control and data acquisition systems), maintenance facilities, power facility development costs, and minor unscheduled jobs. This program supports DOE's General Goal 4, Energy Security, as presented under Program Mission. Replacement and upgrade of aged power system components are crucial to system reliability, and communications improvements maintain vital control over system operations. Both contribute to attaining or exceeding monthly control compliance ratings established by NERC by reducing the risk of equipment failure, unplanned outages, and possible local and regional power system disruptions. Reducing the hazards associated with worn or aging equipment, correcting design deficiencies, and replacing deteriorated wood poles which present a serious climbing hazard to linemen, minimizes Western's safety exposure. In addition, public safety is supported by avoiding or minimizing the negative impacts of unplanned outages and by minimizing the instances of downed lines. C&R program activities support the repayment of Federal power investment by promoting a well-planned C&R program with a relatively stable budget over the long term, by avoiding significant additional costs of emergency "breakdown maintenance," and by preventing outages which could impact power deliveries, purchase power costs, and power revenues. Planned activity is detailed by category below.

Transmission Lines and Terminal Facilities	**3,355**	**3,728**	**6,776**
▪ **Transmission Lines and Terminal Facilities, Continuing Work**	**1,234**	**1,243**	**4,632**

Continue modifications and rehabilitation of transmission lines (TL) in FY 2005 to ensure power system reliability and stability:

- Rebuild of the Cheyenne-Miracle Mile 115-kV TL (Colorado and Wyoming). This 146-mile TL was constructed in 1939 using wood poles with copper conductor. The wood poles are deteriorated and copper conductor has not been used for many years. Hardware and specialized equipment for splicing and maintaining the copper conductor are no longer available. The poor condition of the line requires excessive maintenance, is subject to outages and requires replacement to maintain reliability in the area. It is proposed this project will be done in stages over several years, the length of time dependent upon budget constraints.
- Relocate 3.6 miles of the existing Parker-Gila 161-kV TL that runs through the town of Quartzite (Arizona). The existing segment has a very narrow right-of-way and has extensive encroachment problems, including buildings and propane tanks that present serious safety and maintenance issues.

(dollars in thousands)

FY 2003	FY 2004	FY 2005

- Relocate and upgrade one-half mile of the Black Point Mesa-Blythe #1 161-kV TL (California). The whole top of Black Point Mesa is considered sacred grounds by several tribes. Built in 1949, the wood poles are deteriorating and failure is eminent, resulting in possible property damage and injury to the general public. Rerouting this line will preserve the historical site and increase access for maintenance crews. Upgrading to steel structures will increase reliability, reduce maintenance costs and provide a safer work environment.

The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

- **Transmission Lines and Terminal Facilities, Rehabilitation Starts 2,121 2,485 2,144**

Three TL and terminal facility rehabilitation starts are planned in FY 2005:

- Replace existing 477 ACSR Flicker conductor with 477 ACSS Hawk conductor on the Brush Tap-Fort Morgan Tap 115-kV line (Colorado) to eliminate Western Electricity Coordinating Council (WECC) Constrained Path Number 36. A system planning study of this 9-mile line indicated the conductor thermal rating needs to be increased to a minimum of 160 MW to eliminate a decrease in the transfer capability for power generated in Wyoming and Montana to Eastern Colorado and to comply with mandatory Operating Transfer Capability policy. It is estimated that line loading will exceed allowable levels in the summer of 2005 and limit this transfer of power if this rating is not achieved.
- Reconductor Brookings-Watertown #1 115-kV TL (South Dakota). Built in 1954, this 51-mile line has been identified in regional studies as a limiting facility during single contingency outages at high transfer levels. Post-contingent loading of the TL exceeds the emergency thermal conductor rating and is in violation of Mid-Continent Area Power Pool (MAPP) reliability criteria. Reconductoring of this TL with a new higher-rated conductor will alleviate the overloading.
- Replace existing Watford City-Charlie Creek 115-kV TL with 230-kV TL (North Dakota). This 34-mile TL was placed in service in 1951. Upgrade of this line will provide additional transfer capability that will alleviate existing reliability criteria violations during system outages. In addition, this upgrade will support current requests for interconnections to Western's transmission system.

TL and terminal facility starts address specific system reliability risks or operational problems. Estimates are based on actual costs of recent similar projects, expected costs of needed equipment and services, cost estimating guides, and experience.

(dollars in thousands)

FY 2003	FY 2004	FY 2005

- **Transmission Lines and Terminal Facilities, Work Funded by Others 0 0 0**

Potential transmission line and terminal trust work in FY 2005 includes planning, design or construction of:

- Interconnection facilities for Capital Electric (North Dakota).
- Interconnection facilities for Valley Electric, Arizona Public Service, Citizens Utilities (Arizona) and Nevada Power (Nevada).
- Double circuit of Liberty-Parker No. 1 TL for Arizona Public Service (Arizona).
- Adjustments to Pinnacle Peak-Rogers TL to accommodate highway construction for Arizona Department of Transportation (Arizona).
- Fault duty mitigation for Nevada Power (Nevada).
- Review of the design and construction of East Altamont Energy Center and O'Banion-Elverta 230-kV line for Calpine Corporation (California).
- Los Banos-Gates 500-kV TL project (also known as Path 15), an extension of the California-Oregon Transmission Project for Trans-Elect and Pacific Gas & Electric (California).
- Interconnection facilities at Steamboat Tap for Xcel Energy (Colorado).

Western's work for others has increased significantly under the open access transmission tariff adopted in response to FERC Order No. 888. The tariff requires Western to provide interconnections to its transmission system. New generation projects typically surface quickly and provide little advance warning for internal planning and budgeting. Western must work with requestors to meet their needs.

Western expects interconnection or capacity upgrade projects funded by the project proponents to be increasingly common in the next few years. Design of these facilities must be closely coordinated with, or accomplished by, Western's design staff to ensure compatibility with Western's equipment and facilities and compliance with applicable electrical and safety codes. These projects also affect transmission system loading and operation. Potential impacts to other system facilities and equipment must be determined since the cost of any necessary modifications must be borne by the interconnection project proponents.

Substations 6,194 2,840 9,125

- **Substations, Continuing Work 1 2,482 3,610**

The FY 2005 funding request will allow Western to complete the replacement of high-voltage equipment such as circuit breakers, transformers, reactors, disconnect switches, and fuses at: Casa Grande (Phoenix-Casa Grande portion) and Maricopa Substations which are located south of Phoenix (Arizona); and Watertown Substation (South Dakota). This equipment requires addition and/or replacement primarily due to reliability factors, age, safety concerns, escalating annual maintenance costs and/or availability of spare parts. Oil containment is added when appropriate to protect nearby

water resources from possible contamination. In addition, work will continue on the demolition and environmental cleanup of Basic Substation (Nevada).

The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

- **Substations, Rehabilitation Starts 6,193 358 5,515**

Three substation rehabilitation starts are planned in FY 2005:

- Establish a new 230-kV TL connection at Trinity County power plant (California), consisting of three 230-kV breakers, four 230/60-kV transformers to convert voltage, two 60-kV breakers and 60-kV radial lines to tie into the Trinity County Public Utility District. The transmission line will consist of approximately 6 miles of new 60-kV line and 16 miles of rebuilt 60-kV line. This project will enhance the reliability of service to Trinity County consumers and fulfill the obligation established by the Trinity Division Act of August 12, 1955, to construct, operate and maintain transmission facilities as may be required to deliver the output of power plants. Consumers in this area routinely see nearly 20,000 consumer hours per year in outages, many lasting three to four days in the winter.
- Acquisition and/or modification of Cottonwood and Round Mountain Substations (California). With the upcoming expiration of existing Pacific Gas and Electric (PG&E) contracts in December 2004, Western must undertake new arrangements to ensure that a cost-effective method to retain a continuous transmission path connecting Federally-owned assets to the Pacific Northwest exists. This project would define, acquire, and/or modify the facilities needed to ensure that Western's customers would have a continuous path to the Pacific Northwest on existing Federally-owned transmission lines. In the absence of any new arrangements, CVP customers face a substantial increase in costs when these contracts expire. Western initiated a public process, in FY 2003, to help decide how to operate the Central Valley Project power system once current contracts with PG&E expire. Options under consideration, but not yet decided, involve a metered subsystem and contract-based sub-control areas. A decision will be based on criteria identified in a completed and fully open public process that demonstrates the best alternative to be selected. If the decision resulting from the public process is to have a contract-based sub-control area, then $3.2 million of the funds requested here would be used for this project.
- Replacement of the 110/34.5-kV transformer at Woonsocket Substation (South Dakota). This transformer was placed in service in early 1954, and is no longer supported by its manufacturer. Spare parts are not obtainable, and the transformer has reached the end of its useful service life. Originally planned for replacement in FY 2003, this project was put on hold to accommodate unplanned work. In order to maintain system reliability and avoid the increased costs of an emergency replacement, this transformer should be replaced as soon as possible.

(dollars in thousands)

FY 2003	FY 2004	FY 2005

Lead times for equipment delivery are increasing as fewer domestic manufacturers remain in the marketplace, and more equipment must come from foreign sources. Worldwide demand for electrical equipment is also impacting delivery schedules. For major equipment such as transformers, delivery times are averaging 18 months and increasing, making it impossible to procure equipment in the same fiscal year as contract award.

Estimates are based on actual costs of recent similar projects, including costs of equipment and services, data from specialized cost estimating guides, and organization experience.

- **Substations, Work Funded by Others 0 0 0**

Substation trust work in FY 2005 includes:

- Review of the design and construction of Phase 2 of Fiddyment Substation for City of Roseville (California).
- Transformer replacement at Yellowtail Substation (Montana) – Mountain States Power Corporation.
- Walden Substation project for Tri-State and Mountain Parks Electric (Colorado).
- Transformer upgrade to Silt Pumping Plant for town of Silt (Colorado).

Other 8,120 6,306 4,290

- **Other; Communications Systems 5,177 3,728 4,190**

Continue to replace/modernize/expand communication systems (supervisory control and data acquisition equipment, microwave, fiber optic, global information system, and telecommunication) in the Colorado River Storage Project and the Pick-Sloan Missouri Basin Program to operate and control the transmission system. Replacement parts for the existing obsolete communications systems are becoming very difficult to obtain and the increased use of remote control of facilities, coupled with the need for greater integration of the Federal system with the rest of the grid and technological advances in the communications field, make secure and reliable communications crucial to Western's mission. Rapid advances in communications technology, along with manufacturers' phase-out of support for existing systems, primarily drive the need for communications replacements and upgrades. Effective control of remote facilities is crucial to the operation of the power system.

- **Other; Miscellaneous 2,943 2,578 100**

Annual power facility development costs and miscellaneous minor construction jobs that are not normally scheduled in advance or anticipated as part of larger projects.

Each project cost is determined using the actual costs of recent similar projects, estimated quantities of needed materials, past contract costs, specialized cost estimating guides, and in-house experience.

Preconstruction Activities 0 0 0

The following projects will have active preconstruction activities during FY 2005: Replacement of equipment at Devils Lake, Leeds, Watford City and Morris Substations (North Dakota); Casa Grande, Mead and Liberty Substations (Arizona); and Henderson Substation (Nevada). Preconstruction activities for t-line upgrades include Davis-Mead, Davis-Topock, Casa Grande-Empire, and Empire-ED5

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
(Arizona); Parker-Bouse (Arizona and California); Beaver-Hoyt (Colorado); Rugby-Leeds (South Dakota); and Gering-Gering Valley (Nebraska). Funding for these activities is included in the Program Direction section of Western's request.			
Total, Construction and Rehabilitation	**17,669**	**12,874**	**20,191**

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Transmission Lines and Terminal Facilities	
▪ Transmission Lines and Terminal Facilities work is projected to be $3.0 million more than the FY 2004 level. The increase in the funding request for these facilities results from deferring necessary planned upgrades due to budget constraints. The requested funding for FY 2005 will allow Western to repair, rebuild, or relocate structures that have been identified as having potential reliability, safety, and maintenance problems. These lines are located in Arizona, California, Colorado, South Dakota, North Dakota, and Wyoming.	+3,048
Substations	
▪ Western's Substation program will be approximately $6.3 million more than the FY 2004 level. The increase is for additions and upgrades that are essential to maintaining a stable, safe and reliable system. The increase results from deferring planned upgrades due to budget constraints and to maintaining a systematic replacement of degraded facilities. This includes upgrade of transformers, circuit breakers and other station equipment at Western facilities in Arizona, California, Nevada, and South Dakota, and includes $3.2 million for acquisition or modification of Cottonwood and Round Mountain substations in California.	+6,285
Other	
▪ Funding of ongoing fiber optic communications projects increases by $0.5 million. Projects in North and South Dakota include replacing overloaded and obsolete analog microwave communications with digital and fiber optic systems that can handle the load from increasing communication, control, data gathering, and remote monitoring needs. In addition, the increase will provide telecommunication upgrades of existing analog equipment in the Rocky Mountain Region to more efficient fiber optics and digital microwave radio. A decrease of $2.5 million is reflected in miscellaneous projects such as roof repairs, security upgrades, fire system upgrades, and other minor construction work.	-2,016
Total Funding Change, Construction and Rehabilitation	**+7,317**

Purchase Power and Wheeling

Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Central Valley Project	184,182	156,000	163,284	+7,284	+4.7%
Pick-Sloan Missouri Basin and Other Programs	162,188	115,000	54,962	-60,038	-52.2%
Total, PPW (gross)	346,370	271,000	218,246	-52,754	-19.5%
Customers choose non-Western PPW	0	0	-64,517	-64,517	-100.0%
Use of Alternative Financing	-160,246	-84,900	-153,729	-68,829	-81.1%
Total, PPW	186,124	186,100	0	-186,100	-100.0%
Offsetting Collections Realized	-186,124	-186,100	0	+186,100	+100.0%
Total, PPW Budget Authority	0	0	0	0	0.0%

Description

The mission of the Purchase Power and Wheeling subprogram is to support Western's long-term firm power sale contractual agreements, including wheeling over non-Federal transmission lines as necessary to deliver the firmed hydropower resource to customers.

Benefits

The Purchase Power and Wheeling subprogram supports Western's mission to market and deliver reliable, cost-based hydroelectric power and related services. These services are marketed at rates sufficient to provide recovery of expenses and Federal investment as established by law. The recovery of the Federal investment, or repayment, is a key performance goal for Western. To maximize the marketability of Western's products, Western has entered into long-term contracts with customers of the Central Valley Project (CVP), the Pick-Sloan Missouri Basin Program, as well as other projects, to deliver firm power based on the normal (average over the long-term) amount of power and/or capacity available from each of its systems. By its nature, hydropower is a variable resource; it is affected by reservoir storage, drought conditions, powerplant maintenance and other project purposes. When variations occur between load and generation (hour by hour or even minute by minute basis), Western buys power and related transmission services to support its firm power contractual commitments. Western also buys transmission services, as needed, to provide the benefits of the Federal hydropower resource to numerous Federal, State, municipal, and other preference customers not directly connected to Western's system. Contracting for transmission services encourages the widespread use principles of the Flood Control Act of 1944 and avoids unnecessary Federal duplication of available transmission resources. The acquisition of non-Federal power and transmission services meets Western's power marketing contract provisions for the Central Valley Project, Pick-Sloan Missouri Basin Program-Eastern Division, Loveland Area Projects and Parker-Davis Project, which place special responsibilities on Western to provide firm power.

In FY 2003, the basis for estimating the volume of power purchases to firm Western's contracted Federal hydro resource reflects the outlook for generation given existing water conditions. This is

particularly essential for basins with large reservoirs that cannot recover from long-term drought conditions in a short period of time.

The FY 2004 enacted program amounts are based on prior year (FY 2003) preliminary actual purchase power and wheeling program requirements and expenditures.

The FY 2005 request bases the volume of power purchases on the long-term average of the actual purchases over a 20-year period. This concept is based on the approach Western uses for determining the amount of hydropower generation that is available for sale (i.e., the average hydro generation available over the long-term). In years when hydro generation is below average, Western's Emergency/Continuing Fund is available to finance purchases from the use of receipts that Western has deposited in the Treasury from the sale of power. FY 2005 price estimates for market power purchases are based on average FY 2003 price levels. The change in FY 2005 does raise the risk that actual firming purchase requirements will exceed that estimated. However, Western's Emergency/Continuing Fund was authorized in the late 1940s and amended in 1989 to mitigate this risk. The fund has been used twice for purchase power and wheeling requirements. The authority provides for additional purchase power expenses to firm contractual commitments when project generation is below normal.

The following table lays out the FY 2004 and FY 2005 PPW program assumptions against actuals for FY 2002 and FY 2003 for purchases, energy prices and wheeling costs.

Purchase Power and Wheeling Program Assumptions

	FY 2002 Actual	FY 2003 Preliminary Actual	FY 2004 Enacted (based on FY 2003)	FY 2005 Request (long-term avg's)
Power Purchases (gigawatthours)				
Central Valley Project	5,238	5,022	5,022	4,559
Pick-Sloan Missouri Basin and Other Programs	3,697	3,052	3052	1,218
Total, Purchases	8,935	8,074	8,074	5,777
Purchase Power Prices ($/megawatthour)				
Central Valley Project	25.0	27.7	27.7	27.7
Pick-Sloan Missouri Basin and Other Programs	26.6	34.0	34.0	34.0
Cost of Power Purchases ($000)				
Central Valley Project	131,154	139,188	139,188	126,284
Pick-Sloan Missouri Basin and Other Programs	98,435	103,812	103,812	41,412
Total, Purchase Power Costs	229,589	243,000	243,000	167,696

	FY 2002 Actual	FY 2003 Preliminary Actual	FY 2004 Enacted (based on FY 2003)	FY 2005 Request (long-term avg's)
Wheeling Costs ($000)				
Central Valley Project	24,473	16,790	16,812	37,000
Pick-Sloan Missouri Basin and Other Programs	11,548	11,125	11,188	13,550
Total, Wheeling Costs	36,021	27,915	28,000	50,550

Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Central Valley Project	**93,757**	**93,757**	**0**

No appropriations are requested. This is authority to use offsetting collections only.

- **Central Valley Project, Program Requirement 184,182 156,000 163,284**

  In FY 2005, Western will use alternative financing mechanisms such as cash advances, net-billing, and bill-crediting to firm its contractual power commitments to customers. The FY 2005 request is based on the approach Western uses for determining the amount of hydropower Western has available for sale (e.g., long-term average conditions). Power price estimates are based on and FY 2003 average purchase power prices. At the close of the first quarter of FY 2005, the contractual pricing and delivery terms negotiated in the long-term firm purchase agreements with Pacific Gas and Electric (PG&E) will expire. Upon expiration of the integration agreement with PG&E in January 2005, a number of factors for CVP will change. Purchase power requirements are expected to drop significantly from current levels, the basis for power prices changes from contract pricing to market estimates, and the basis for transmission service costs will shift from PG&E contract to ISO and PG&E pass-through rates. Western assumes it will establish a new basis for providing transmission service at the lowest cost to its customers.

- **Central Valley Project, Alternative/Customer Financing .... -90,425 -62,243 -163,284**

  Customers are encouraged to enter the market on their own for firming energy and transmission service. Western will continue to negotiate purchase power and wheeling arrangements on behalf of customers that are unable or unwilling to conduct these activities on their own. Alternative financing mechanisms, primarily customer advances but also including net billing and crediting, to fund these ongoing operating services will be used to the extent needed.

Pick-Sloan Missouri Basin and Other Programs	**92,367**	**92,343**	**0**

No appropriations are requested. This is authority to use offsetting collections only.

- **Pick-Sloan Missouri Basin and Other Programs, Program Requirement 162,188 115,000 54,962**

  In FY 2005, Western will use alternative financing mechanisms such as cash advances, net billing, and bill-crediting to firm its contractual power commitments to customers. The FY 2005 request is based on the approach Western uses for determining the amount of hydropower Western has available for sale (e.g. long-term average conditions). Power price estimates are based on FY 2003 average purchase power prices. The request continues to support long-term firm power

(dollars in thousands)

FY 2003	FY 2004	FY 2005

commitments to customers of the Eastern and Western Divisions of the Pick-Sloan Missouri Basin Program, and the Fryingpan-Arkansas Project commensurate with the levels of average firm hydroelectric energy marketed by Western. The request also provides transmission support for the Pacific Northwest-Southwest Intertie Project. The FY 2005 program request is down substantially from FY 2004 and prior year levels which reflected drought conditions and generation constraints rather than long-term averages. Western anticipates the drought conditions will continue to constrain generation in FY 2005 by 1,000 to 2,000 GWHs. Western has Emergency/Continuing Fund authority to provide for additional purchase power expenses due to below-normal generation.

- **Pick-Sloan Missouri Basin and Other Programs, Alternative/Customer Financing ..... -69,821 -22,657 -54,962**

  Customers are encouraged to enter the market on their own for firming energy and transmission service. Western will continue to negotiate purchase power and wheeling arrangements on behalf of customers that are unable or unwilling to conduct these activities on their own. Alternative financing mechanisms, primarily customer advances but also including net billing and crediting will be used to the extent needed to fund these ongoing operating services.

Total, Purchase Power and Wheeling 186,124 186,100 0

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Central Valley Project	
▪ The gross PPW requirement of $163,284,000 in FY 2005 is increasing by $7,284,000 from the $156,000,000 level enacted in FY 2004. A number of elements in the CVP FY 2005 program are changing. First, existing power marketing plans and the existing integration agreements with PG&E are expiring at the end of CY 2004. New power marketing plans and power sale contracts are underway; however, the integration contract with PG&E will not likely be extended. Western is considering several options to continue service to its customers after 2004. Transmission costs could increase over FY 2004 (based on FY 2003) under one or more of these options. This increase is offset by a reduction in energy purchases. No direct appropriations are necessary.....	+7,284
Pick-Sloan Missouri Basin and Other Programs	
▪ The gross PPW requirement of $54,962,000 in FY 2005 is decreasing by $60,038,000 from the $115,000,000 level enacted in FY 2004. The decrease assumes purchase power requirements will be at long-term average levels of 1,218 GWHs, and that prices will remain at prior year levels. Prior year purchases were 1,834 GWHs higher than the long term average due to long-term drought conditions to date affecting the Pick-Sloan Missouri River Basin. Western has Emergency/Continuing Fund authority to provide for additional purchase power expenses due to emergency conditions, including below-normal generation.	-60,038
Total Funding Change, Purchase Power and Wheeling Budget Authority ..... -52,754	

Utah Reclamation, Mitigation and Conservation

Funding Schedule by Activity

(dollars in thousands)

	FY 2003[a]	FY 2004[b]	FY 2005	$ Change	% Change
Total, Utah Mitigation and Conservation Budget Authority	6,061	6,163	0	-6,163	-100.0%

Description

The Reclamation Projects Authorization and Adjustment Act of 1992, Title IV, established the Utah Reclamation Mitigation and Conservation Account (Account) in the Treasury of the United States. The purpose of this Account is to ensure that the level of environmental protection, mitigation, and enhancement achieved in connection with projects identified in the Act and elsewhere in the Colorado River Storage Project in the State of Utah is preserved and maintained. The Administrator of Western is authorized to deposit funds into the Account. Such expenditures are to be considered non-reimbursable and non-returnable. The Utah Reclamation Mitigation and Conservation Commission established under Title III of the Act, is authorized to administer all funds deposited into this Account.

Benefits

This Account provides for the preservation of fish and wildlife and recreation resources impacted by the Central Utah Project and the Colorado River Storage Project in the State of Utah.

Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Utah Mitigation and Conservation.....	**6,061**	**6,163**	**0**

The request proposes to shift the authority to make the deposit from Western to the Department of the Interior's Bureau of Reclamation. Western sells and transmits power from two projects in Utah and provides mitigation funding separately for these operations. Western does not transmit power from the Central Utah Project. No Western deposit is planned for the Account in FY 2005. The Utah Reclamation Mitigation and Conservation Account has a current cash balance exceeding $100 million.

Total, Utah Mitigation and Conservation.....	**6,061**	**6,163**	**0**

[a] FY 2004 amount reflects the across-the-board rescission of $39,370 (P.L. 108-7).

[b] FY 2004 amount reflects the across-the-board rescission of $36,580 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Utah Mitigation and Conservation	
▪ No funding is requested in FY 2005. The authority to make the deposit is proposed for transfer to the Department of the Interior's Bureau of Reclamation.	-6,163
Total Funding Change, Utah Mitigation and Conservation.....	**-6,163**

Falcon and Amistad Operating and Maintenance Fund

Funding Profile by Subprogram

(dollars in thousands)

	FY 2003[a] Comparable Appropriation	FY 2004 Original Appropriation	FY 2004[b] Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Falcon and Amistad Operating and Maintenance Fund	2,716	2,640	-15	2,625	2,827
Total, Falcon and Amistad Budget Authority .	2,716	2,640	-15	2,625	2,827

Public Law Authorization:
Public Law 103-236, "Foreign Relations Authorization Act, Fiscal Years 1994 and 1995"
The Act of June 18, 1954 (68 Stat. 255)

Mission

The Falcon and Amistad Operating and Maintenance Fund (Maintenance Fund) was established in the Treasury of the United States as directed by the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. The Maintenance Fund is administered by the Administrator of Western for use by the Commissioner of the U. S. Section of the International Boundary and Water Commission (IBWC) to defray administrative, O&M, replacements, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams.

Benefits

The Falcon/Amistad Dams hydroelectric power generation plants sell generated power to rural electric cooperatives through Western. The two powerplants have a combined generating capacity of 97.5 MW.

All revenues collected in connection with the disposition of electric power generated at the Falcon and Amistad Dams, except monies received from the Government of Mexico, are credited to the Maintenance Fund. Any monies received from the Government of Mexico are credited to the General Fund of the U. S. Treasury. Revenues collected in excess of expenses are used to repay, with interest, the cost of replacements and original investments, thus supporting Western's Program Goal.

Full funding will support 24-hour/day operation and maintenance of the two powerplants to ensure response to ever-changing water conditions, customer demand, and continual coordination with operating personnel of the Government of Mexico. In addition, power will be marketed, repayment studies will be completed, and revenues collected. The Federal staff funded under this program continues to be allocated to the U. S. Section of IBWC by the Department of State.

[a] FY 2003 amounts reflect a general across-the-board rescission of $17,771 (P.L. 108-7).
[b] FY 2004 amounts reflect a general across-the-board rescission of $15,576 from the Consolidated (Omnibus) Appropriations Bill for FY 2004.

Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Falcon and Amistad Operating and Maintenance Fund					
Salaries and Benefits	1,663	1,723	1,750	+27	+1.6%
Routine Services	850	771	820	+49	+6.4%
Miscellaneous Expenses	115	115	247	+132	+114.8%
Marketing, Contracts, Repayment Studies	18	16	10	-6	-37.5%
Emergency Contingency	70	0	0	0	0.0%
Total, Falcon and Amistad Operating and Maintenance Fund	2,716	2,625	2,827	+202	+7.7%

Detailed Justification

(dollars in thousands)

FY 2003	FY 2004	FY 2005

Salaries and Benefits..... 1,663 1,723 1,750

Salaries and benefits are provided for 28 Federal employees of the U. S. Section of the IBWC who operate and maintain the two powerplants on a 24-hour/day basis, including planned maintenance activities, required safety services, and emergency response to flood operations and/or equipment failure. The increase is attributed to promotions, within grade, salary, and cost of living increases, partially offset by the decrease of one employee.

Routine Services..... 850 771 820

Routine services such as inspection and service of the HVAC and air compressor systems, fire extinguishers, fire suppression systems, elevators, self-contained breathing apparatus, calibration of test equipment, rebuild of electric motors, and repair of obsolete equipment when replacement parts are no longer available, will be provided. Additionally, elevator upgrades, replacement of tools and equipment, water system upgrades, security and intrusion detector systems, and the replacement of a maintenance utility vehicle are planned. The request also includes $350,000 to install vibration monitoring equipment at Amistad Powerplant, and $290,000 to service a low flow generator at Falcon Powerplant.

Miscellaneous Expenses..... 115 115 247

Estimates include miscellaneous expenses for IBWC employees and technical advisors, including travel, training, communications, utilities and printing. The increase request is mainly attributable to training and travel, and is essential for flood response, dam safety, power house safety, to comply with the standards of the Interagency Commission on Dam Safety (ICODS), Occupational Safety and Health Administration (OSHA), the National Dam Safety Act, and to participate in the international efforts of drought management.

	(dollars in thousands)		
	FY 2003	FY 2004	FY 2005
Marketing, Contracts, Repayment Studies	**18**	**16**	**10**

Costs for marketing power, administration of power contracts, and preparation of rate and repayment studies are included. Based on accurate studies, staff ensures that power revenues are set at an appropriate level to recover annual expenses and meet repayment schedules, thus supporting Western's Program Strategic Performance Goal.

Emergency Contingency	**70**	**0**	**0**

Restoration of the emergency contingency to the $200,000 level originally appropriated was completed in FY 2003.

Total, Falcon and Amistad Operating and Maintenance Fund Budget Authority	**2,716**	**2,625**	**2,827**

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Salaries and Benefits	
▪ The increase in salaries and benefits is primarily attributed to increased costs of promotions, within grade, salary and cost-of-living expenses.	+27
Routine Services	
▪ The increase in routine services reflects a slightly higher level of equipment and tool replacements, the installation of vibration monitoring equipment, and required service to the low flow generator.	+49
Miscellaneous Expenses	
▪ The increase in miscellaneous expenses for training and travel are essential for flood response, dam safety, power house safety, compliance with the standards of the ICODS, OSHA, the National Dam Safety Act, and participation in the international efforts of drought management.	+132
Marketing, Contracts, Repayment Studies	
▪ The decrease reflects a slightly lower level of effort for these activities.	-6
Total Funding Change, Falcon and Amistad Operating and Maintenance Fund	**+202**

Colorado River Basins Power Marketing Fund

Funding Profile by Subprogram

(dollars in thousands)

	FY 2003 Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Colorado River Basins Power Marketing Fund					
Program Direction	38,373	40,090	0	40,090	38,741
Equipment, Contracts and Related Expenses	371,421	153,471	0	153,471	167,876
Total, Operating Expenses from new authority	409,794	193,561	0	193,561	206,617
Offsetting Collections Realized	-431,794	-215,561	0	-215,561	-229,617
Total, Obligational Authority	-22,000	-22,000	0	-22,000	-23,000

Public Law Authorizations:

Public Law 75-529, "The Fort Peck Project Act of 1938"
Public Law 84-484, "The Colorado River Storage Project Act of 1956"
Public Law 90-537, "The Colorado River Basin Project Act of 1968"
Public Law 95-91, "Department of Energy Organization Act" (1977)

Mission

Western operates and maintains the transmission system for the Projects funded in this account to ensure an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner. The Colorado River Basins Power Marketing Program (Program) is comprised of the three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project, and the Colorado River Basin Project. This program is funded through Western's business-type revolving fund (Federal Enterprise Fund), the Colorado River Basins Power Marketing Fund.

Benefits

Western achieves continuity of service by maintaining its power systems at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales. In concert with its customers, Western reviews required replacements to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses.

Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction,

purchase power and wheeling, interest, emergencies, and other power marketing expenses. Power sales and other revenues, which are collected in excess of expenses, are used to repay Federal investments to the U.S. Treasury. This request represents Western's estimate of obligations to finance these business-type operations.

Program Direction

Funding Profile by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Program Direction					
Salaries and Benefits	25,551	27,360	27,581	+221	+0.8%
Travel	2,106	2,306	2,174	-132	-5.7%
Support Services	3,551	3,375	4,252	+877	+26.0%
Other Related Expenses	7,165	7,049	4,734	-2,315	-32.8%
Total, Program Direction	38,373	40,090	38,741	-1,349	-3.4%
Full-time Equivalents	268	272	281	+9	+3.3%

Mission

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program office in the Department but with additional effort from offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These functions include attaining reliability performance, maintaining the interconnected system at or above industry standards to reduce transmission outages, maximizing revenues from non-firm energy sales, as well as reviewing and adjusting power rates to support repayment of the Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels in order to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Salaries and Benefits	**25,551**	**27,360**	**27,581**

Salaries and benefits will be provided for Federal employees who operate and maintain the Program's high-voltage integrated transmission system and associated facilities; plan, design, and supervise the replacement (capital investments) to the transmission facilities; and market the power and energy produced to repay annual expenses and capital investment. Engineers and craft workers rapidly restore the transmission system, comprised of approximately 4,000 circuit-miles of transmission lines and associated substations, switchyards, communication, control and general plant facilities, following any disturbance. Staff routinely maintain and/or replace equipment to assure capability for reliable delivery of power. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed the NERC and industry averages. Energy schedulers maximize revenues from non-firm energy sales, and power rates are reviewed and adjusted, thereby supporting the repayment of Federal investment. Staff provides continuing services such as system operations, power billing and collection, power marketing, energy services, technology transfer, environmental, safety, security and emergency management activities. Due to the extreme hazards associated with a high-voltage electrical system,

(dollars in thousands)

staffs make safety a priority in each and every task. Staff evaluates general power resources, collaborating and planning with customers and members of the interconnected transmission system to identify the most effective transmission system improvements to maximize benefits to all participants.

The 281 FTE supported in this account reflects both direct and indirect (portions of administrative and general expense employees). Amounts are based on planned work associated with facilities funded through this Account and not on specific positions; therefore, FTE numbers may vary from year to year. The increase reflects funding for an additional nine FTE as well as anticipated salary and within-grade increases. As authorized in P.L. 99-141, Western annually establishes pay rates and compensation policy for some employees (craft workers, power system dispatchers, schedulers, and marketers) based on prevailing rates in the electric utility industry. Due to recruitment/retention issues for those occupations across the Nation and increased staff in these categories to meet the additional workload requirements attributed to FERC Orders No. 888 and 889, Western's Federal salary/benefit costs for the dispatching/scheduling functions have increased significantly: 7.1 percent in FY 2001; 14.1 percent in FY 2002; and an estimated 4.8 percent in FY 2003. Western anticipates similar increases in FY 2004 and FY 2005.

	FY 2003	FY 2004	FY 2005
Travel	**2,106**	**2,306**	**2,174**

Transportation/per diem allowances for day-to-day performance of duties of Federal staff, including crews maintaining the transmission facilities will continue. Rental/lease of GSA vehicles and transportation of things are also included. Estimates are based on historical travel costs, adjusted for inflation and planned activity.

Support Services	**3,551**	**3,375**	**4,252**

Support services funded in this activity include IT support, warehousing, computer-aided drafting/engineering, and general administrative support. The increase is primarily attributed to a new contract awarded for the administrative functions. Other increases are attributed to inflationary factors.

Other Related Expenses	**7,165**	**7,049**	**4,734**

Other related expenses include, but are not limited to, DOE's working capital fund distribution, space, utilities and miscellaneous charges, printing and reproduction, training tuition, maintenance of office equipment, supplies and materials, telecommunications, personal computers, and multi-project costs. Intermittent specialized services, not included in on-going support service contracts, are also included. Rental space costs assume the GSA inflation factor. Other costs are based on historical usage and actual cost of similar items. The request reflects decreases in the working capital fund distribution, space rental, software procurement/maintenance costs, capital acquisitions, utility estimates, and a decrease of Western's administrative indirect distributions associated with this Account.

Total, Program Direction	**38,373**	**40,090**	**38,741**

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Salaries and Benefits	
▪ Increase in salaries and benefits is attributed to an additional nine FTE (direct and indirect) to cover planned workload, and salary and within grade increases, including salaries determined by prevailing rates in the electric utility industry, partially offset by a decrease to administrative indirect distributions….	+221
Travel	
▪ The decrease in travel reflects a slightly lower level of planned activity	-132
Support Services	
▪ Increase in support service estimates is primarily attributed to a new contract awarded for the administrative functions. Other increases are attributed to inflationary factors.	+877
Other Related Expenses	
▪ Decrease in estimated other related expenses includes space rental, software procurement/maintenance costs/capital acquisitions, utility estimates, and a decrease of the administrative indirect distributions, partially offset by an increase to printing and reproduction activity…….	-2,315
Total Funding Change, Program Direction	**-1,349**

Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Technical Support					
Economic and Environmental Analysis	0	0	0	0	0.0%
Test and Evaluation Studies	0	0	0	0	0.0%
Total, Technical Support	0	0	0	0	0.0%
Management Support					
Management Studies	54	0	0	0	0.0%
Training and Education	0	0	0	0	0.0%
ADP Support	1,983	1,773	1,936	+163	+9.2%
Administrative Support	1,514	1,602	2,316	+714	+44.6%
Total, Management Support	3,551	3,375	4,252	+877	+26.0%
Total, Support Services	3,551	3,375	4,252	+877	+26.0%

Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Training	200	200	200	0	0.0%
Working Capital Fund	242	243	235	-8	-3.3%
Printing and Reproduction	13	14	50	+36	+257.1%
Rental Space	930	834	805	-29	-3.5%
Software Procurement/Maintenance Activities/Capital Acquisitions	1,000	1,147	1,103	-44	-3.8%
Other	4,780	4,611	2,341	-2,270	-49.2%
Total, Other Related Expenses	7,165	7,049	4,734	-2,315	-32.8%

Equipment, Contracts and Related Expenses

Funding Schedule by Activity

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	$ Change	% Change
Equipment, Contracts and Related Expenses					
Supplies and Materials	9,382	9,925	9,414	-511	-5.1%
Purchase Power Costs	346,998	129,701	134,671	+4,970	+3.8%
Capitalized Equipment	6,579	5,159	8,952	+3,793	+73.5%
Interest/Transfers	8,462	8,686	14,839	+6,153	+70.8%
Total, Equipment, Contracts and Related Expenses	371,421	153,471	167,876	+14,405	+9.4%

Description

This program supports the Department of Energy's mission, "To promote clean, abundant, affordable, and reliable energy; …" Western ensures an adequate supply of reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its service territory by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from ancillary services and non-firm energy sales.

Benefit

Western's equipment, contracts and related expenses are necessary for the operation and maintenance of this activity. Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses.

Supplies and materials, such as wood poles, instrument transformers, meters and relays, must be procured to provide necessary resources to respond to routine and emergency situations in the high-voltage interconnected transmission system. Technical services, such as waste management disposal and pest/weed control, are used as needed.

Western's planned replacement and addition activity is based on an assessment of age and the maintenance frequency/problems of individual items of equipment, availability of replacement parts, safety of the public and Western's personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western's power customers who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e. electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relay and oscillographs, must be acquired to assure reliable service to Western's customers. System age and environmental concerns necessitate orderly replacement before significant problems develop.

Replacement and upgrade of microwave, supervisory control and data acquisition, and other communication and control equipment continues to provide increased system reliability, and reduce maintenance and equipment costs.

Capitalized movable equipment such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, IT equipment and software must be upgraded and replaced.

Electrical resources and transmission capability to firm up the Federal hydropower supplies needed to meet Western's contractual obligations will continue to be obtained. Transmission wheeling services are also purchased when a third party's transmission lines are needed to deliver Federal power to Western's customers.

Reimbursements to the U. S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant and planned interest payments to the U. S. Treasury are also included in this section.

Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
Supplies and Materials	**9,382**	**9,925**	**9,414**

Supplies and materials necessary to respond to routine and emergency situations in the high-voltage interconnected transmission system will be procured, and reimbursements to the U.S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant will continue. A well-maintained transmission system supports Western's attainment of reliability and transmission availability performance by preventing sudden failure, unplanned outages, and possible regional power system disruptions. By providing 24-hour/day reliable electric power delivery to its customers, Western secures revenues for repayment of the Federal investment. Safe working procedures are discussed before work commences to optimize safety of the public, Western personnel, and equipment. The request is based on projected work plans for activities funded from this Account. Estimates are based on historical data of actual supplies needed to maintain the transmission system reliably, including emergency situations such as ice storms and tornadoes. Costs are based on recent procurement of similar items. The decrease is attributed to a slightly lower level of activity.

Purchase Power Costs	**346,998**	**129,701**	**134,671**

Electrical resources, transmission capability and wheeling services will be purchased. The request anticipates the continuance of low-steady-flow tests conducted at Glen Canyon Dam, as required by the Glen Canyon Dam Environmental Impact Statement Record of Decision. Additionally, amounts include obligational authority to accommodate replacement power purchases for customers served by the Colorado River Storage Project. The replacement power purchases, a provision of the Salt Lake City Area Integrated Projects electric power contracts, are made at the request of power customers at times Western lacks sufficient generation to meet its full contract commitment. The funds for the replacement power purchases are advanced by the requestors prior to the purchase.

	FY 2003	FY 2004	FY 2005
Capitalized Equipment	**6,579**	**5,159**	**8,952**

Capitalized equipment, including circuit breakers, transformers, relays, switches, transmission line equipment, microwave, supervisory control and data acquisition, and other communication and control equipment, will be acquired to assure reliable service to Western's customers. Replacement and upgrade of aged power system components are crucial to system reliability and transmission availability performance. Removing environmental hazards and replacing aged equipment eliminates safety hazards for the public and Western's personnel. Communications planned equipment purchases include funding for the continuation of the project to replace analog microwave with fiber optic groundwire and fiber terminal equipment (Upper Great Plains Region). Also included is the continuation of replacing obsolete mobile radio equipment throughout the system for compliance with the new bandwidth regulations issued by the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) (Upper Great Plains Region and Rocky Mountain Region). Transmission line estimates include purchase of poles, crossarms, and hardware for line rebuilds (Upper Great Plains Region), and replacement of aged equipment in Montana (Rocky Mountain Region). Planned substation estimates include the replacement of 115kV circuit breaker at Blue Mesa (Rocky Mountain Region), replacement of 138kV station service transformer at Hayden (Rocky Mountain Region), Miles City DOV replacement and circuit switch upgrade (Upper Great Plains Region), Miles City #2 Reactor (Upper Great Plains Region), relays replacement in Montana (Upper Great Plains Region), and thyristor spares for the Miles City Converter Station (Upper Great Plains Region). Planned movable capitalized property estimates include the replacement of a truck mounted crane and aged information technology equipment. The request also includes funding to procure an all-terrain forklift to move equipment in hard to reach places, a brush and tree shredder to remove brush from transmission line right-of-ways, specialized communication and control test equipment to maintain standards for testing new state-of-the-art communications equipment, and funding to procure a rough terrain crane – 35 ton. Costs are based on analysis of system O&M requirements/concerns, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.

Interest/Transfers	**8,462**	**8,686**	**14,839**

Interest payments to the U. S. Treasury will occur. Estimates are based on Power Repayment Studies for the Projects funded in this account. There was no interest payment made during FY 2002 due to drought conditions and the need to utilize funds for programmatic needs. The projected payment is increasing to compensate for lower interest payments in prior years.

Total, Equipment, Contracts and Related Expenses	**371,421**	**153,471**	**167,876**

Explanation of Funding Changes

	FY 2005 vs. FY 2004 ($000)
Supplies and Materials	
▪ The decrease is attributed to a slight change in the level of activity	-511
Purchase Power Costs	
▪ The increase for power purchases is primarily attributed to an increase in costs	+4,970
Capitalized Equipment	
▪ The increase in capitalized equipment purchases is primarily attributed to an increased level of purchases associated with planned movable capitalized property, replacement of transmission line hardware, and replacement of substation equipment.	+3,793
Interest	
▪ Planned interest payment to the U.S. Treasury in FY 2005 increase due to lower interest payments made in prior years..	+6,153
Total Funding Change, Equipment, Contracts and Related Expenses.....	**+14,405**

System Statistics

	FY 2003	FY 2004	FY 2005
Generating Plants (Number)	56	56	56
Generating Capacity:			
Installed Capability (kW)	10,605,000	10,605,000	10,605,000
Substations: [a]			
Number [b]	268	271	272
Capacity (kVA) [c]	27,104,250	28,412,250	28,437,250
Transmission Lines (Circuit-miles):			
500-kV [d]	544.5	628.5	628.5
345-kV	1,567.39	1,567.39	1,567.39
230-kV [e]	7,205.27	7,211.47	7,237.17
161-kV [e]	851.32	851.32	838.62
138-kV	330.19	330.19	330.19
115-kV	5,941.09	5,941.09	5,941.09
69-kV and below	1,034.49	1,034.49	1,034.49
Total circuit-miles	17,474.25	17,564.45	17,577.45

[a] Number of substations in outyears is based on facilities that are projected to be commissioned in that year.

[b] Additions planned for FY 2004 include Galvin Peak Switchyard (Arizona), Big Sandy Switchyard (Arizona), and Walden Switchyard (Colorado). Addition for FY 2005 represents Whiterock Substation (Wyoming).

[c] FY 2004 includes capacity increases of 383,000 kVA as a result of changes at Denison (Iowa) and Jamestown (North Dakota) Substations; an increase of 850,000 kVA for the upgrade of three single-phase transformers at Tracy Substation, and an additional 75,000 kVA capacity at Gila Substation. FY 2005 includes an increase of 25,000 kVA for Whiterock Substation.

[d] Includes 84 miles of 500 kV Los Banos - Gates transmission line (Path 15) in 2004.

[e] FY 2004 includes new 6.2 miles of line on the Henderson–Mead No. 2. For 2005, this includes 12.7-mile upgrade (161 kV – 230 kV) from Welton Mohawk Ligurta to Gila and 13 miles of new transmission line between Welton Mohawk Ligurta and APS' North Gila Substation in 2005.

Estimate of Revenues [a]

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Boulder Canyon Project	66,440	62,446	65,788	65,640	64,946	67,302	68,078
Central Valley Project [b]	258,512	258,482	284,964	317,710	325,719	325,719	325,719
Central Arizona Project (Navajo) [c]	95,461	95,461	95,461	95,461	95,461	95,461	95,461
Falcon-Amistad Project	5,076	5,139	5,136	5,032	5,032	5,031	5,030
Fryingpan-Arkansas Project	13,985	13,985	13,985	13,985	13,985	13,985	13,985
Pacific Northwest-Southwest Intertie Project	29,242	29,975	30,422	30,422	30,422	30,422	30,422
Parker-Davis Project	46,343	47,246	45,646	45,940	44,091	42,046	56,947
Pick-Sloan Missouri Basin Program [d]	240,209	273,857	279,709	290,932	291,152	289,480	289,689
Provo River Project	330	295	254	254	253	253	253
Washoe Project	546	546	546	546	546	546	546
Salt Lake City Area Integrated Projects	151,490	-151,706	151,835	151,961	153,422	153,386	153,469
Total	907,634	939,138	973,746	1,017,883	1,025,029	1,023,631	1,039,599

[a] For FY 2003 through 2009, project amounts in this table are based on FY 2002 Power Repayment Studies (PRS). For Parker-Davis Project, amounts are based on the FY 2003 ratebase PRS. The Central Arizona Project (CAP) does not have a PRS because it has no power repayment obligation; amounts shown are based on estimated projections.

[b] Outyear revenue estimates for CVP increase after expiration of existing low-cost integration contract with Pacific Gas and Electric in early FY 2005 in order to recover anticipated new costs of project use firming, California Independent System Operator charges, and custom products for CVP power customers.

[c] Western has contractually agreed for the Salt River Project (SRP) to act as the scheduling entity and operating agent for CAP's portion of the Navajo Generating Station's output (547 MW). In retum, as Western retains marketing responsibility, SRP agreed to pay monthly fixed and variable costs to cover annual expenses.

[d] Outyear revenue estimates in the FY 2002 PRS for the Pick-Sloan Program are increasing due to an anticipated rate adjustment in FY 2004, and the assumption of improving water conditions over the next several years from existing drought conditions.

Estimate of Energy Sales [a]

(in gigawatthours) [b]

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Boulder Canyon Project	4,233	4,501	4,501	4,501	4,501	4,501	4,501
Central Valley Project [c]	9,700	9,700	9,700	9,700	9,700	9,700	9,700
Central Arizona Project (Navajo)	3,995	3,995	3,995	3,995	3,995	3,995	3,995
Falcon-Amistad Project	167	167	167	167	167	167	167
Loveland Area Projects [d]	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Pacific Northwest-Southwest Intertie Project [e]	0	0	0	0	0	0	0
Parker-Davis Project	1,346	1,346	1,346	1,346	1,346	1,346	1,425
Pick-Sloan Missouri Basin Program, Eastern Division [f]	9,085	9,675	9,941	10,478	10,488	10,412	10,422
Provo River Project	27	27	27	27	27	27	27
Washoe Project	11	11	11	11	11	11	11
Salt Lake City Area Integrated Projects [g]	6,364	6,372	6,377	6,378	6,439	6,439	6,423
Total	36,979	37,845	38,116	38,654	38,725	38,649	38,722

[a] FY 2003 through FY 2009 estimates are based on FY 2002 Power Repayment Study assumptions. The estimate for Central Arizona is based on average sales. Falcon-Amistad and Provo River amounts are based on typical sales levels.

[b] One gigawatthour (GWH) equals one million kilowatt-hours (kWh).

[c] Outyear sales estimates for the Central Valley Project assume power delivery at roughly existing levels pending establishment of outyear project use and customer custom product requirements.

[d] Loveland Area Projects include Fryingpan-Arkansas Project and the Western Division of the Pick-Sloan Missouri Basin Program.

[e] Pacific Northwest-Southwest Intertie shows no energy sales, but reflects revenues from the transmission of energy (refer to the Estimate of Revenues table). The Intertie Project is for transmission of energy only.

[f] Eastern Division of the Pick-Sloan Missouri Basin Program includes the Ft. Peck Project.

[g] Salt Lake City Area Integrated Projects include the Colorado River Storage Project, Collbran Project, Rio Grande Project, Seedskadee Project, and Dolores Project.

Estimate of Proprietary Receipts

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Falcon Amistad Maintenance Fund, 895178	1,878	2,625	2,827	2,912	2,999	3,089	3,182
Sale and transmission of electric power, Falcon and Amistad Dams, 892245	2,413	2,480	2,309	2,120	2,033	1,942	1,848
Sale of Power and Other Utilities Not Otherwise Classified, 892249 [a]	21,262	42,500	42,500	42,500	42,500	42,500	42,500
Less Transfers to U. S. Army Corps of Engineers	0	0	-28,385	-29,378	-30,407	-31,471	-32,572
Subtotal, 892249	21,262	42,500	14,115	13,122	12,093	11,029	9,928
Sale of Power – Western Area Power Administration – Reclamation Fund, 895000.27 [b]	246,670	202,605	225,769	284,460	285,710	279,868	293,824
Less Transfers to Department of Interior Bureau of Reclamation	0	0	-30,000	-30,000	-31,000	-32,000	-32,000
Subtotal, 895000.27	246,670	202,605	195,769	254,460	254,710	247,868	261,824
Total, Proprietary Receipts	272,223	250,210	215,020	272,614	271,835	263,928	276,782

[a] The 892249 account provides primarily for revenue transfers from the Reclamation Fund (895000.27) to the General Fund covering U. S. Army Corps of Engineers' expenditures for several dams on the Missouri River. The FY 2005 request proposes that Corps' operating and maintenance costs will be funded from a transfer of receipts deposited by Western, from the sale of power and related services, and credited to the Corps.

[b] The receipts increase beginning in FY 2005, and further in FY 2006 primarily as a result of revenue increases anticipated in the Central Valley Project and the Pick-Sloan Missouri Basin Program. The FY 2005 request proposes that the Department of the Interior's Bureau of Reclamation (Bureau) hydropower operating and maintenance and research and development costs will be funded from a transfer of receipts deposited by Western, from the sale of power and related services, and credited to the Bureau.

Pending Litigation

Pending litigation that may impact Western's FY 2005 Congressional Budget request includes:

- *In re Pacific Gas & Electric Company, Debtor, Case No. 01-20923 SFM11, Northern District of California.* Pacific Gas and Electric Company (PG&E) filed for Chapter 11 bankruptcy protection in April 2001. The potential amount of Western's claim cannot be determined with relative certainty, inasmuch as the company continues to operate. Western could face higher costs if the company is released by the court from its contractual obligations to Western. However, PG&E has indicated its intention to continue to perform under its contracts with Western. Western is highly encouraged that PG&E has entered into discussions with the Government to permit the Government to recoup all monies owing. The latest calculation indicated the estimated amount owed to Western is $41 million. Western recently received the first quarterly interest payment for post-petition claims. Western continues to work with DOJ to settle Western's claims against PG&E. On December 17, 2003, the California Public Utilities Commission voted 3-2 to approve PG&E's plan. On December 22, 2003, the Bankruptcy Judge approved PG&E's plan of reorganization.

- *California Power Exchange Corp., United States Bankruptcy Court, Central District of California, Case No. LA 01-16577-ES.* The California Power Exchange Corporation (Cal PX) has filed a Chapter 11 bankruptcy proceeding in the Central District of California in March 2001. The Cal PX plans to liquidate. Its bankruptcy is due in large part to the energy crisis in California, which caused PG&E and Southern California Edison (SCE) to not meet their debts to the Cal PX. Therefore, the Cal PX, which functions as a trading house with no real assets, has been unable to pay its suppliers, including the Western Area Power Administration. FERC has ordered the ISO to invoice the State of California for its purchases on behalf of PG&E and SCE. The Cal PX should be able to pass through those payments to its suppliers to the extent the bankruptcy trustee is able to collect those amounts. In order to wind down its business activities, the Reorganized Cal PX needs additional funds. The reorganized entity has made the appropriate filings and received approval to charge its participants, including Western, for these activities. These amounts are to be set aside from Settlements and Clearing Accounts. The Department of Justice filed an intervention in the California State court proceeding relating to inverse condemnation of the "block forward" contracts that were seized by California Governor Davis immediately following the Cal PX's initial defaults in January 2001. Western and other Federal entities initially intervened and sought removal and were eventually dismissed from the proceedings, which now continue in state court.

  Estimates are $6.7 million for this contingency. Most recently, the Bankruptcy Court has been hearing matters related to allegations against the Cal PX CEO and CFO and their counsel. The CEO and CFO (with the alleged knowledge of their counsel) apparently approved payment of their own termination bonuses while they are still employed by the Cal PX. The Bankruptcy Court has preliminarily found all these parties to be in contempt. Also FERC has been reviewing claims by the Participants Committee for litigation expenses.

- *In re Quechan Indian Tribe v. Department of Energy, Federal District Court, Southern District of California, Civil Action No. 02CV0196IEG (AJB).* The Quechan tribe has filed a lawsuit based largely upon an alleged violation of the Federal Tort Claims Act. The tribe alleges that Western employees negligently destroyed several cultural sites on tribal lands. The tribe seeks $9.4 million in damages. Western attempted to negotiate a settlement; however, we are too far apart. The case was filed in early June 2002. The Department of Justice filed an answer which contained more than ten affirmative defenses. An Early Neutral Evaluation Conference was held January 16, 2003 in front of

the Magistrate Judge. The Court ordered the Parties to exchange initial disclosures. In July 2003, the Parties applied for and were granted a stay of the present litigation pending a ruling by the United States Supreme Court in a case which addresses whether the Tribe ceded ownership of its reservation in 1893. *See Arizona v. California, 530 U.S. 392* (2000). A ruling by the Supreme Court could result in the Tribe losing its interest in its Reservation which would impact nearly all of the Tribe's claims in the present lawsuit.

As a condition of the stay, the parties agreed to allow certain limited factual discovery, which the parties engaged in this fall. Following extended efforts by the United States to resolve all discovery disputes, the Tribe filed a Motion to Compel on December 12, 2003. The Court has indicated it intends to rule on that motion shortly. Another condition of the stay provided that the Parties could each conduct five depositions of fact witnesses, with the depositions commencing in late January 2004. Western intends to move to postpone these depositions.

A status conference is scheduled for February 3, 2004. The Parties are required to submit a status report on January 27, 2004. Western anticipates that the Tribe may move to lift the stay. Western would oppose such a motion.

Federal Energy Regulatory Commission Litigation

? *Pacific Gas and Electric Company, FERC Docket No. ER01-1639-000*. PG&E tendered for filing proposed amendments to Contract No. 14-06-200-2948A (Contract 2948A) and other associated contracts. PG&E proposes several changes to the contracts, terms, conditions, rates and charges, including unilaterally changing the existing methodology for calculating the energy rates from average thermal production cost to market. After a hearing, the FERC ruled in Western's favor and the entire Commission subsequently affirmed the Presiding Judge's initial opinion. PG&E's Request for Rehearing was denied, and PG&E appealed to the D. C. Circuit Court of Appeals. On April 25, 2003, the DC Circuit affirmed that portion of the case determining that PG&E could not unilaterally change the energy rate. The Court remanded to the Commission whether PG&E has met its joint review requirement to file for a transmission rate increase as required under Article 32. On September 15, 2003, the Commission issued an order remanding the case back to the presiding Administrative Law Judge (ALJ). As of January 1, 2004, the parties are preparing for the hearing scheduled to commence in February 2004.

It is estimated that the increased costs over the term of Contract 2948A could be $1.2 billion.

- *San Diego Gas and Electric Company Investigation of Practices of the California Independent System Operator and California Power Exchange, California Electricity Oversight Board, Docket EL-00-95-000*. In the fall of 2000, the Commission began an investigation under Section 206 of the Federal Power Act into the dysfunctional California markets. The Commission has issued a series of orders addressing both price mitigation and potential refunds. The Commission eventually (June 19, 2001) ordered "hard" price caps in the California and WSCC spot markets. The Commission also made a finding that prices charged in the California markets were unjust and unreasonable. Important to Western was a Commission decision to assert jurisdiction over non-public utilities with regard to refunds. FERC issued rehearing orders on December 19, 2001, largely upholding the earlier Commission orders in the case, including jurisdiction over non-public utilities. Hearings were first held in March 2002 to calculate the appropriate mitigated market clearing prices.

Subsequent hearings on Issues II and III ("who owes what to whom") were held in San Francisco in August 2002. The Presiding ALJ did preliminarily decide that Western's "exchange transactions" with the ISO are not subject to refund. FERC Staff also investigated whether the gas prices used in these proceeding to determine the Mitigated Market Clearing Prices (MMCP) were themselves improperly manipulated and therefore need to be corrected in these proceedings. The Presiding ALJ issued his Initial Decision (ID) in December 2002. At the same time FERC responded to an order of the Ninth Circuit in August 2002 that found that FERC had not developed an adequate record with respect to the extent of manipulation. FERC allowed an additional discovery period of 100 days. Western responded to over 140 data requests from the "California Parties" and organized a document repository at SNR. In March 2003, the Commission issued an order largely upholding the ID, but implementing Staff's recommendations of gas prices. Following the March 2003 Order, the Commission initiated proceedings to resolve certain issues relating to gas prices. These proceedings are currently underway. Additionally, the California ISO and PX are currently conducting "reruns" of the markets for the refund period in order to calculate refunds in accordance with the Commission's current rulings and formulae in the case. In December 2003, SNR began receiving the first sets of rerun data for review and possible dispute proceedings. The entire rerun effort could take many months and may not be completed until late 2004. The Commission is also still considering numerous rehearing requests and other motions. For example, Duke has asked that amounts California receives in settlement from El Paso for manipulation of natural gas markets be offset against refunds in these proceedings.